Nostrum Oil & Gas Annual Report & Accounts 2023

Our mixed-asset energy strategy in action

Annual Report & Accounts **2023**

Nostrum successfully commenced execution of its mixed-asset energy strategy by implementing key catalyst projects in a challenging environment, while maintaining focus on ESG matters.

For more details please visit
www.nostrumoilandgas.com

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Delivering our mixed-asset energy strategy

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Successful transition from a single-asset to a mixed-asset company

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

ESG

see pages 50-54

Contributing to energy security and transition to cleaner energy

2023 highlights

Financial

Revenue
US$m

119.6

2022: **199.7**

Opex+G&A costs[1]
US$m

50.2

2022: **43.1**

EBITDA
US$m

42.1

2022: **115.7**

Cash at year end
US$m

161.7

2022: **233.6**

Non-financial

Production
boepd

10,091

2022: **13,200**

Employees

571

2022: **566**

LTIR incidents per million man-hours

0.37

2022: **0**

Total greenhouse gas emissions
ktCO_2e

158+22[2]

2022: **170**

1. Opex excluding DD&A and inventory adjustment. G&A costs excluding DD&A. See page 47 for details.
2. Surplus of GHG emissions as a result of GTU 3 re-start.

Executing our catalyst projects

I am proud that Nostrum has exhibited operational and financial resilience this year and taken key steps towards growth, notwithstanding various challenges. While we were successful in firming up our core operations by improving product netbacks, gaining production through our gas lift expansion and tight cost control, we also had to make tough decisions to ensure compliance with license commitments.

In parallel, several important growth catalysts were set in motion, such as the Stepnoy Leopard acquisition, another upstream asset in our portfolio, the commencement of processing of gas from the Ural O&G tie-back and the successful and safe re-start of GTU-3. We now look forward to capitalising on these growth catalysts to maximise future stakeholder returns.

Stabilising our core operations

The successful completion of the bond restructuring in early 2023 marked a critical milestone for the Company's financial stability, and a solid foundation for the delivery of our mixed-asset energy strategy.

We have achieved material production gains which partially offset natural declines in the mature Chinarevskoye field by expanding our gas lift system at a cost of approx. US$8m. We were pleased to report 12% quarter-on-quarter production increase in Q3 2023 as opposed to natural decline in production of around 8% reported in Q2 2023 vs Q1 2023.

Despite the continuing Russia-Ukraine conflict the Company mitigated the adverse impact on product pricing by proactively securing alternative delivery routes and destinations, resulting in improved netbacks in 2023 and thus helping to improve liquidity.

Tight cost discipline continued to be a key focus area for management and the Board throughout the year. Even though the global economy has been asserting extreme inflationary pressures throughout 2022 and 2023, we managed to keep unchanged our cost base required for maintaining activities of Chinarevskoye field and Ural O&G processing.

Notwithstanding the overall production decline from our mature field, a 20% year-on-year reduction in average crude oil prices and strong inflationary pressures during 2023, all of our above-mentioned mitigation measures helped the Company to remain net free-cashflow neutral in 2023, excluding the impact of any one-off cash outflows. Non-recurring payments in 2023 included circa US$25m interest and lock-up fees paid on completion of the bond restructuring, around US$20m spent on the acquisition of the Stepnoy Leopard fields, and approximately US$25m in tax audit

payments for prior years. All of these factors led to a reduction in the Company's unrestricted cash balance from US$234m at beginning of the year to US$162m at the end of 2023.

Meeting our license commitments and maintaining regulatory compliance

Ensuring compliance with our license commitments and various regulatory requirements was another area of focus for management and the Board during the year. After a careful technical risk assessment of available opportunities, the Company began a limited two-well drilling programme at its Chinarevskoye field in December 2023, which it expects to complete during 2024. Notwithstanding the inherent subsurface risks, we believe it increases our chances of sustaining production levels and optimising our assets as well as meeting the Company's license commitments.

On the downside, the company's operating subsidiary had to accept the results of the comprehensive tax audit covering 2016-2021 and made relevant payments of US$25m in taxes and administrative fines. In addition, the management has continued to actively manage various other enquiries and ongoing claims by local authorities.

Mixed-asset energy strategy in action: executed catalyst projects

2023 was also a year of executing our strategic catalyst projects in alignment with our mixed-asset strategy. This strategy signifies our commitment to evaluate and invest in both upstream and midstream opportunities focusing on those where we see the most favourable risk/reward balance. This could be either by processing third party hydrocarbons in our world-class infrastructure and/or by scaling up our own production.

The acquisition of the subsoil use rights to the Stepnoy Leopard fields, a second asset in our upstream portfolio, is in line with our commitment to diversify and strengthen our upstream asset base. Shortly after the acquisition, the Board reviewed and authorised a two-well appraisal programme. High quality appraisal data has been captured with the flow-rate and pressure build-up tests confirming high well productivity potential.

Improving our core operations

See more details on pages 41-47

Balance sheet: optimised with completion of restructuring and reduced financing burden, which is helping the company preserve its liquidity and focus on strategic initiatives.

US$595m
Debt as at 2023 YE vs US$1.4bn as at 2022 end

US$162m
Cash balance on Restructuring as at 2023 YE

Cost control: addressing inflationary pressures to keep our costs base under control and directing resources toward developing new projects.

Production gains: on aging Chinarevskoye field through expansion of our Gas lift capacities.

20%
increase in Q3 over Q2 production gains excluding natural decline of 8%

Optimising netbacks: addressed impact of Urals-Brent spread on oil and gas condensate exports, through contracting in alternative delivery routes and destinations and resulting in improved netback in 2023 vs 2022.

16% decrease in netbacks vs 18% average Brent price decline

Based on this information, in March 2024, we made a final investment decision for the initial field development phase with forecast total capital budget of US$100m. The project will commence in 2024 and will include drilling of four development wells across the key reservoirs targeting recoverable resource potential of 30-50 mmboe. Early cash generation from end of 2026 is expected to strengthen the self-financing capacity.

On the midstream front, a testament to this strategic direction was the successful initiation of the Ural O&G tie-back and the delivery of the first third-party gas to our treatment facility in late December 2023. The first well commenced production with a rate of around 300 thousand m3 of raw gas per day and Ural O&G expects to put four additional wells into production in 2024. This pivotal development not only underscores our achievement but also positions us to become a major third-party gas processor in the region.

In addition, as we have successfully completed the restart of our GTU-3 with 2.5 bcma capacity, this enhances our ability to capture third party volumes. As we celebrate this milestone, we recognise the potential of our underutilised, modern infrastructure to attract more than 4 bcma of third-party gas. This capability allows us to offer accelerated processing solutions at substantially lower costs compared to other providers, presenting a unique opportunity to significantly boost domestic gas supply by nearly 20%. Through these endeavours, we are poised to make a substantial contribution to Kazakhstan's long-term gasification plan. Our gas processing infrastructure with significant available capacity, located only about 100 km north of the Karachaganak field, represents a compelling value proposition to both the Republic of Kazakhstan and KPO, especially as an alternative to increasing supplies to or from Russia.

As a newly appointed Board, we have been closely and consistently working with the senior management over the past year to foster delivering such catalyst projects, which set the foundation for the future growth of the Company.
Our regular and ad-hoc Board meetings ensured that we timely and efficiently address all matters and provide guidance to the senior management team in achieving strategic objectives. Further details on the Board activities are described on pages 82-87.

Our progress this year reinforces our commitment to becoming a key player in Kazakhstan's energy sector, driving forward the nation's gasification efforts and supporting the transition to a more sustainable energy future.

ESG performance

We have advanced our risk rating as evaluated by Sustainalytics from 40.5, categorised as severe, at the end of 2022 to 30.1, now positioned in the lower high-risk category and just one decimal point away from the medium risk threshold.

This progress has put us to at the upper 10th percentile within the Oil & Gas Producers industry, in the Sustainalytics universe, and underscores our continuous efforts in environmental, social and governance disciplines.

Unfortunately, on the other hand, despite several years of operations without fatalities, a tragic incident occurred during the year involving a 35-year-old contractor employee performing services for Zhaikmunai LLP. While engaged in insulation works on the stationary platform at GTU-3 during routine maintenance, the worker fell into an opening where a functional guardrail was missing, from a height of 10 meters, sustaining injuries which unfortunately proved fatal.

Both a comprehensive investigation of the incident by the competent governmental authorities and Nostrum's own internal investigation of the incident have been diligently conducted. Following on from those investigations Nostrum has promptly implemented additional occupational safety measures with greater supervision to ensure effective implementation of the "Permit to Work" system. Assessment of similar hazards was also carried out field-wide to further mitigate the attendant occupational safety risks. This occurrence has underscored Nostrum's imperative to reinforce all safety protocols not only for our employees but also for those of our contractors.

Investing in license to operate activities

See more details on page 26, 44, 84-85

Two-well drilling programme: approved by the Board to keep the balance between investment in risk-based opportunities and maintaining our license commitments for the Chinarevskoye field.

US$26m
CAPEX

Governance practices: implemented changes in the Board structure and committees post-restructuring along with relevant Board activities to ensure compliance with relevant guidance and requirements.

6
board members including

3
INEDs and Warrant Director

Managing tax and other regulatory challenges: following the comprehensive tax audit covering 2016-2021 and relevant payment of US$25m taxes, fines and penalties, we continue to manage various other enquiries and claims by local authorities.

US$25m
taxes paid

Executing catalyst projects in line with our mixed-asset strategy

See more details on page 26

Stepnoy Leopard fields acquisition: acquisition completed in line with expectations earmarking transition to a multi-asset company. Appraisal programme nearly completed. FID approved for the initial field development phase.

50-150mmboe
contingent resources

US$100m
forecast budget for 2024-2026

Ural O&G tie-back commenced: received first third-party gas for processing at the end of 2023, representing a pivotal moment for Nostrum to launch midstream activities and become a true mixed-asset energy company.

300 th. m^3
of raw gas per day – one well from Dec 2023

1.5mn m^3
of raw gas per day – additional four wells in 2024*

GTU-3 re-start: facilities are operating as per design and ready to accept third-party gas, and position Nostrum as a preferred partner for handling and processing third-party gas in Western Kazakhstan.

US$750m
facility

2.5bcma
processing capacity

* According to Ural O&G (MOL) guidance.

Looking to the future

Having set the foundation for the major growth catalysts as described earlier, we are now looking forward to further progressing these initiatives, capitalising on them to maximise stakeholder returns. Specifically, in 2024, we anticipate start of the Stepnoy Leopard field development and a Competent Person's Report (CPR) to reclassify specific resources into reserves, and continued processing of increasing volumes of Ural O&G raw gas, while in parallel we continue to actively search for additional opportunities to profitably fill the capacity of our processing facilities.

Following the completion of the debt restructuring in early 2023, our first communication of the new mixed-asset energy strategy was delivered to the investment community at the Capital Markets Day in early 2023. Following this event the management and the Board continued to engage with the shareholders and bondholders by arranging bilateral and multilateral meetings. We have also been actively engaging with various stakeholders and actively participating in prominent industry and leadership conferences to showcase the advantages of Nostrum's assets in Kazakhstan.

With our 4.2 bcm gas processing facilities, we are strategically placed to leverage the new energy transition strategy unveiled by Kazakhstan, which is aimed at achieving carbon neutrality by 2060. Natural gas, as a lower-emission fossil fuel, is pivotal for Kazakhstan's shift towards a sustainable energy mix, and is in line with global trends for cleaner energy sources. At the same time, demand for marketable gas in Kazakhstan continues to rise, while resource levels have remained static primarily due to underinvestment in both gas processing facilities and gas exploration. This situation presents a pressing challenge, with forecasts predicting a gas shortage potentially reaching up to 8 billion cubic meters by 2025. Our existing gas process infrastructure offers the fastest possible startup solution at the lowest possible cost for nearby gas producers, including from the Karachaganak field.

Last but not least, we must not underestimate the importance and magnitude of the various risks and uncertainties the Company continues to face. Geopolitical uncertainties, product price volatility, financial and tax risks, and other principal risks and uncertainties as described on pages 34-38 of the report may have significant impact on the future of the company. Capital allocation and capital management challenges in the view of the future opportunities go hand-in-hand with the quickly approaching maturity of the bonds in 2026.

Conclusion

In conclusion, I want to express my sincere thanks to our investors, our dedicated employees, and the Government of Kazakhstan for another year of support and commitment.

In 2023, Nostrum has experienced its first successes in execution of its mixed- asset energy strategy by implementing key catalyst projects in a challenging operating and regulatory environment, while maintaining a steadfast focus on ESG.

Looking ahead, we remain focused on our strategic direction. We are facing a year that will surely bring both new opportunities and challenges, but with the collective efforts of our Board, management, and all Nostrum employees, we look forward to a future of continued success and sustainable operations.

Stephen Whyte
Chairman and Non-Executive Director

Market trends and our response

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

Key macroeconomic and microeconomic trends

Oil prices

In 2023, Brent crude oil prices averaged US$82.5 per barrel, showcasing notable volatility and a decrease of approximately 18.2% from the previous year, amid geopolitical tensions and concerns around crude oil demand and supply.

The escalation in Brent prices following the Middle East conflict in October 2023 was driven by potential geopolitical impacts on supply and fears of a global economic slowdown. However, in November, several OPEC+ nations extended and increased their voluntary production cuts, amounting to 2.2 million barrels per day. Despite this, and the interim support in the third and fourth quarters of 2023 led by Saudi Arabia and Russia's production and export reductions, oil prices experienced a downward trend as the year concluded.

What it means for us

The Group's annual revenues were lower in comparison with 2022 due to the lower commodity prices and decreased sales volumes in line with expected production decline from the maturing Chinarevskoye field.

At the end of 2023 we had cash reserves in excess of US$161.7m (31 December 2022: US$233.6m) excluding US$16.5m placed in DSRA account in accordance with the Notes terms post-restructuring and US$8.7m of liquidation fund deposits, which are reserved as required by the subsoil use rights for abandonment and site restoration liabilities.

The decline in cash balances year-on-year was primarily due to the US$19.3m payment for acquiring an 80% stake in Positive Invest LLP, US$25m payment for tax audit and US$25m payment for finance costs and lock-up fees as a result of completion of bond restructuring.

Kazakhstan's economy

Kazakhstan's economy experienced steady growth, registering a 5% increase in 2023, up from 3.2% in 2022. This growth was driven by both the oil and non-oil sectors, significantly buoyed by increased investment in fixed capital, despite global challenges and a limited impact from the conflict in Ukraine. The annual inflation rate in Kazakhstan eased to 9.8%, down from a peak of 21.3% in February 2022. As inflation decelerated, the National bank cut the base rate by 1 percentage point from 16.75% to 15.75% during the year in 2023.

The Kazakhstani Tenge (KZT) appreciated by 1.7% in 2023, closing the year at 454.56 KZT per US dollar.

What it means for us

Cost optimisation continues to be a critical focus for our company, aimed at preserving and enhancing our cash reserves. Despite our G&A expenses maintaining fairly consistent levels, we are dedicated to minimising any necessary cost increases associated with the development of new projects, such as Stepnoy Leopard and Ural O&G.

Kazakhstan annual GDP growth

5%

2022: **3.2%**

Kazakhstan annual inflation rate

9.8%

2022: **21.3%**

Competitive environment

Kazakhstan and Azerbaijan are the two main oil-producing countries in the Caspian region whilst Turkmenistan and Uzbekistan are the predominant gas producers. Russia plays an important role in the region by providing a transportation corridor between the Caspian Sea and the Black Sea.

As the world's largest landlocked country, Kazakhstan depends on an extended network of pipelines and railways to deliver its products to export markets. Pipeline exports are primarily delivered via Russia (Atyrau-Samara and the Caspian Pipeline Consortium pipelines); via Azerbaijan and Turkey (the Baku-Tbilisi-Ceyhan pipeline); and one via China (Atasu-Alashankou). Rail exports utilise Kazakhstan's extensive rail network, reaching markets throughout the FSU and beyond (please refer to page 7 where we discuss the impact of Russian sanctions resulting from the Russia-Ukraine conflict on our business).

What it means for us

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

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

Geopolitical uncertainty

Since the beginning of the latest conflict in the Middle East, Brent prices have been volatile amid potential geopolitical impact on supply and concerns of slowing global growth. The geopolitical factors have prominently led to significant fluctuations in oil prices and market uncertainty.

The ongoing conflict between Russia and Ukraine, which started in early 2022, continues to be one of the most substantial conflicts in Europe and has led to widespread sanctions being imposed on various Russian institutions and individuals. Bodies and nations imposing sanctions today include the US, UK and EU and these sanctions have been sequentially expanding.

Due to sanctions, Urals blend has been trading at a significant discount compared to Brent. Prior to the conflict, the spread between Brent and Urals was modest, approximately US$3 per barrel. However, this spread widened dramatically to around US$35-40 per barrel during 2022, impacting the Company's oil export prices. In 2023, on average, the spread between Brent and Urals was US$20.8 per barrel, which would have had substantial negative impact on the Company's revenues, if not addressed actively by management to mitigate these costs related to the secondary effects of the Russian invasion of Ukraine.

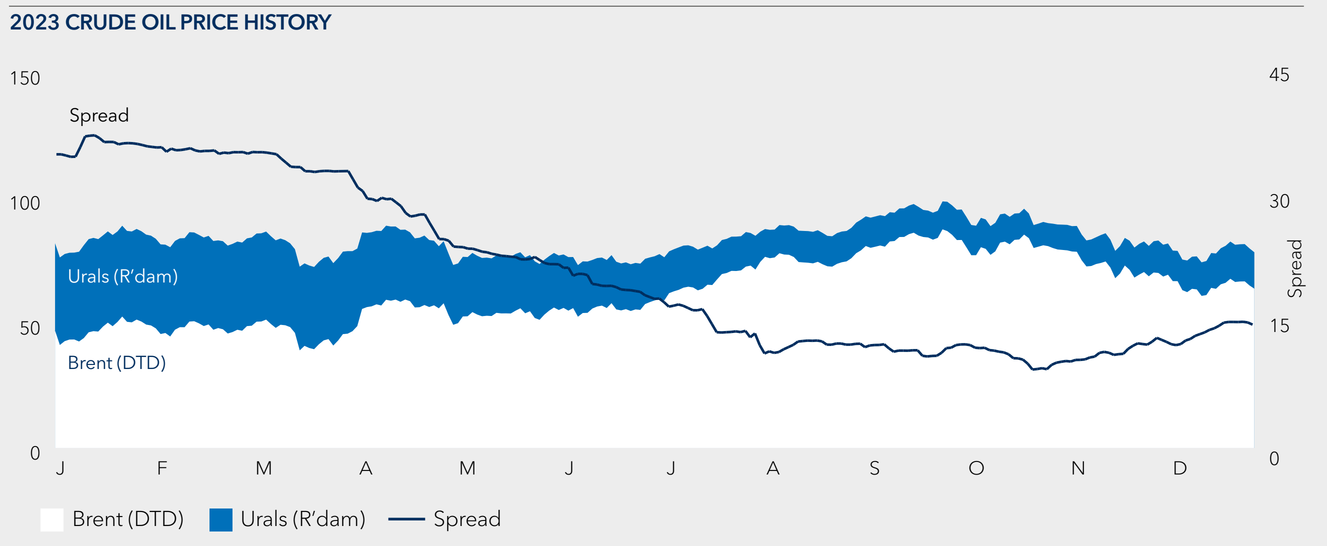
What it means for us

Given the geographical position of the Group's operations, there is an impact of the evolving situation in Ukraine on its business. Whilst Kazakhstan is not directly involved in the ongoing conflict, nor have any Western sanctions been levelled at it, the country is connected to Russia through infrastructure, banking, and other business links. Furthermore, the Company contracts with a limited number of Russian service companies.

During 2022 Nostrum considered and analysed alternative export routes where export prices are not linked to Urals quotation for oil and gas condensate supplies. As a result of this exercise, in 2023 the Company managed to achieve lower than average discounts for crude oil and gas condensate.

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

2023 CRUDE OIL PRICE HISTORY



Contributing to Kazakhstan’s energy security, transition to cleaner energy and gas affordability

Kazakhstan is the largest oil producer in Central Asia and a major gas producer. According to BP’s Statistical Review of World Energy 2021, Kazakhstan stands among the top 20 nations globally in terms of proven natural gas reserves, totaling 2.3 trillion cubic meters.

Kazakhstan’s gas industry plays a vital role in energy security

The bulk of Kazakhstan’s gas reserves lies in the western region of the country, with about 85% concentrated in major fields such as Tengiz, Kashagan, Karachaganak, Zhanazhol, and Imashevskoye. Most gas is associated with oil production, and around one-third is reinjected in order to boost liquids output.

In 2023, the volume of gas production in Kazakhstan reached 59.1 billion cubic meters, of which 29.8 billion cubic meters was marketable gas (which refers to the volume of gas available for sale after the processing and purification process is complete). With such an abundance, the country’s gas industry plays a vital role in fueling economic development and energy security, both domestically and internationally.

Despite the abundance of gas reserves in Kazakhstan, meeting domestic demand remains a significant challenge. President Tokayev highlighted in 2022 the potential shortage of commercial gas in the future, driven by factors such as population growth, a construction boom, and industrial development.

The issue lies in effectively extracting, processing, and commercialising these reserves.

In July 2022, Kazakhstan adopted a ‘Comprehensive plan for the development of the gas industry of the RoK for 2022 – 2026’, which aims to enhance the country’s energy and economic security through phased reforms and development of the gas industry by 2030, focusing on increasing gas resources, modernising infrastructure, meeting domestic needs, exporting surplus gas volumes and reforms in the management of gas industry.

Kazakhstan’s transition to cleaner energy

The Republic of Kazakhstan, as outlined in the Decree of the President of the Republic of Kazakhstan from February 2, 2023 № 121, is committed to achieving carbon neutrality by 2060. This ambitious goal necessitates a profound transformation of the country's energy system, focusing on three main elements: decarbonisation of primary energy supply, electricity and heat production, and high-efficiency energy end-use in various sectors.

Switching to natural gas is a critical step for Kazakhstan in achieving low-carbon development. Natural gas, as a cleaner fossil fuel, can act as a bridge in the transition towards a more sustainable energy mix. It offers a reduction in emissions compared to coal and oil, and it aligns with the global trend towards cleaner energy sources.

Additionally, the use of natural gas can enhance energy efficiency and reduce methane leakage in the oil and gas sector.

Gas affordability to meet domestic demand

To support the domestic shift towards natural gas, the strategy includes gasification of regions across Kazakhstan. This initiative aims to increase the availability and use of natural gas domestically, reducing reliance on more polluting energy sources and supporting the overall goal of carbon neutrality. The gasification of the domestic market in Kazakhstan is a crucial aspect of the country’s energy strategy, with a current gasification rate of 60% of the population and a target rate of 65% of population by 2030.

The consumption of marketable gas in Kazakhstan is experiencing a steady increase, highlighting the growing demand for natural gas within the country. In the near term, projections indicate a potential shortage of marketable gas, underscoring the urgency for additional projects to enhance production and processing capacity. According to various sources, by 2025, the expected gas deficit could range from 3.6 billion cubic meters to as much as 8 billion cubic meters.

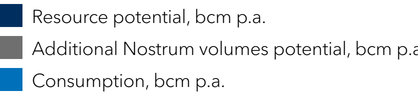
85% of Kazakhstan's reserves are concentrated in major fields in the western region of the country

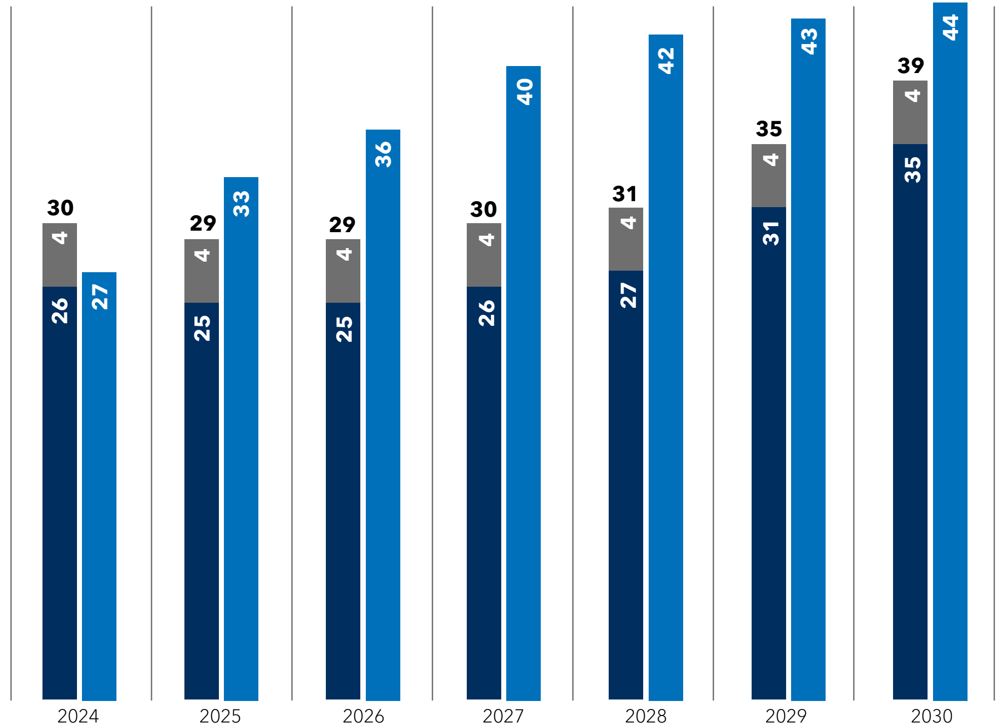
Sources: primeminister.kz, adilet.zan.kz, qazaqgaz.kz

"It is necessary to accelerate the construction of new gas processing plants and to fully involve existing processing capacities in the circulation."

Kassym-Jomart Tokayev
President of the Republic of Kazakhstan

Marketable gas shortage in Kazakhstan in 2024-2030, bcm





Source: Comprehensive plan for the development of the gas industry of the Republic of Kazakhstan for 2022 - 2026.

What it means for us

The utilisation of existing capacities, such as the Nostrum GTF, may play a crucial role in mitigating this shortfall. Nostrum in particular, is anticipated to reduce the deficit by approximately 4 bcm per annum, providing a significant boost to Kazakhstan's efforts in addressing the growing gap between gas supply and demand. This situation underscores the need for strategic investments and initiatives to ensure a stable and sustainable gas supply that meets the country's increasing energy requirements.

Nostrum has a technically verified project that is self-funded for receiving and processing raw gas from the Karachaganak field, located only 100 km away, which currently has its gas re-injected and exported for processing at the Orenburg Gas Processing Plant.

In 2023, Nostrum successful completion of the re-start of its GTU-3. The facility is located at the Chinarevskoye field, north of Uralsk. International and domestic pipelines are located near the Company's infrastructure hub, enabling safe and efficient transportation of all processed products.

10%

In 2023, around 10% of the production capacity of the GTU was utilised. The Company is actively making efforts to attract third-party gas to unlock its full potential.

4.2bcm

The GTU's total processing capacity is 4.2 bcma. Nostrum can contribute to meeting Kazakhstan's current gas requirements.

Mixed-asset energy company

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

Key strengths

Right place, right time

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

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

A mixed-asset energy company

Offers an advantageous midstream solution to own and potential third-party sources of upstream produced raw gas fields with midstream solutions.

Improved balance sheet, robust cash reserves

Following restructuring, Nostrum has a healthy balance sheet with significant cash reserves, lower annual coupon payments, which allow us to focus on future growth.

High-quality local input

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

Constantly improving ESG performance

Environment: Highly rated by recognised agencies

ESG Risk Rating is 30.1, placing Nostrum at the lower end of the "High Risk" category, and in the top 10th percentile of Oil and Gas producers. Nostrum' scores for Climate change and Water Security modules stand at "B-".

Social: Responsible operations

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

Governance: Experienced Board of Directors and Senior Management Team

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

Mixed-asset energy framework

Upstream

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

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

Nostrum asset

Chinarevskoye field

Producing field

1P reserves of 16.3mmboe

2P reserves of 23.2mmboe

Stepnoy Leopard field

80% owned field currently under appraisal

50-150mmboe contingent resources over 20% liquids

Third party asset

Rozhkovskoye field

Gas tie-back achieved at end of 2023

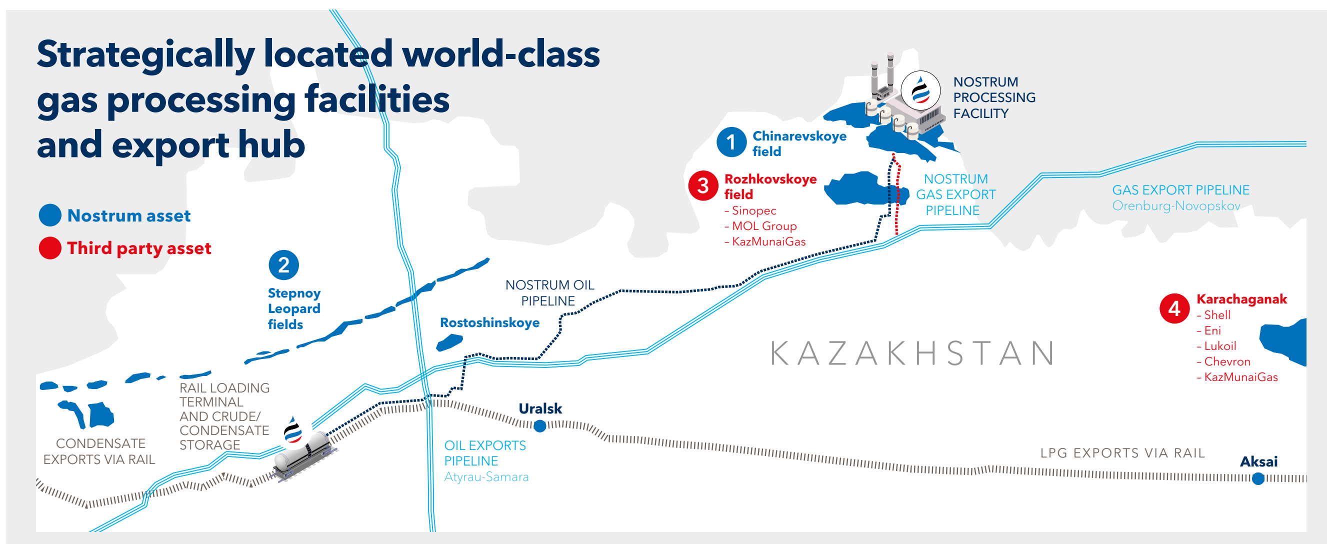
(Phase I)

Phase II – potential subject to appraisal/ feasibility assessment

Karachaganak field and other 3rd Parties

Possible midstream tie-back opportunities

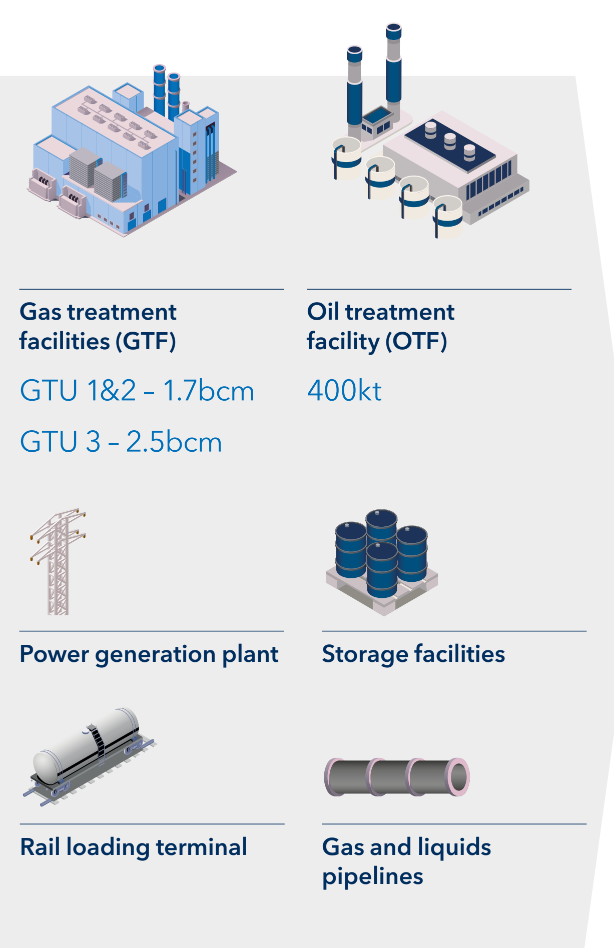
Estimated gross reserves of over 2.4 billion barrels of condensate and 16 tcf of gas



Midstream

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

State-of-the-art 4.2bcm infrastructure hub, 85% of which is not utilised by our own production. Strategic location, attractive access to multiple transportation routes.



Value we create

Kazakhstan's Energy Sector

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

Workforce

We are one of the leading employers in north-western Kazakhstan, and we hold a valuable key to unlocking future development of otherwise stranded natural resources.

Investors

In February 2023, Nostrum completed the implementation of the restructuring after obtaining all required licenses and approvals. As a result, US$1.125bn of existing notes have been replaced with US$250m Senior Secured and US$345m Senior Unsecured notes due in 2026. The remaining portion of existing notes were converted into the Company's equity and the existing ordinary shareholders were diluted to 11.11%, subject to further dilution if the warrants held by existing noteholders are exercised.

Local communities

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

Suppliers, contractors and customers

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

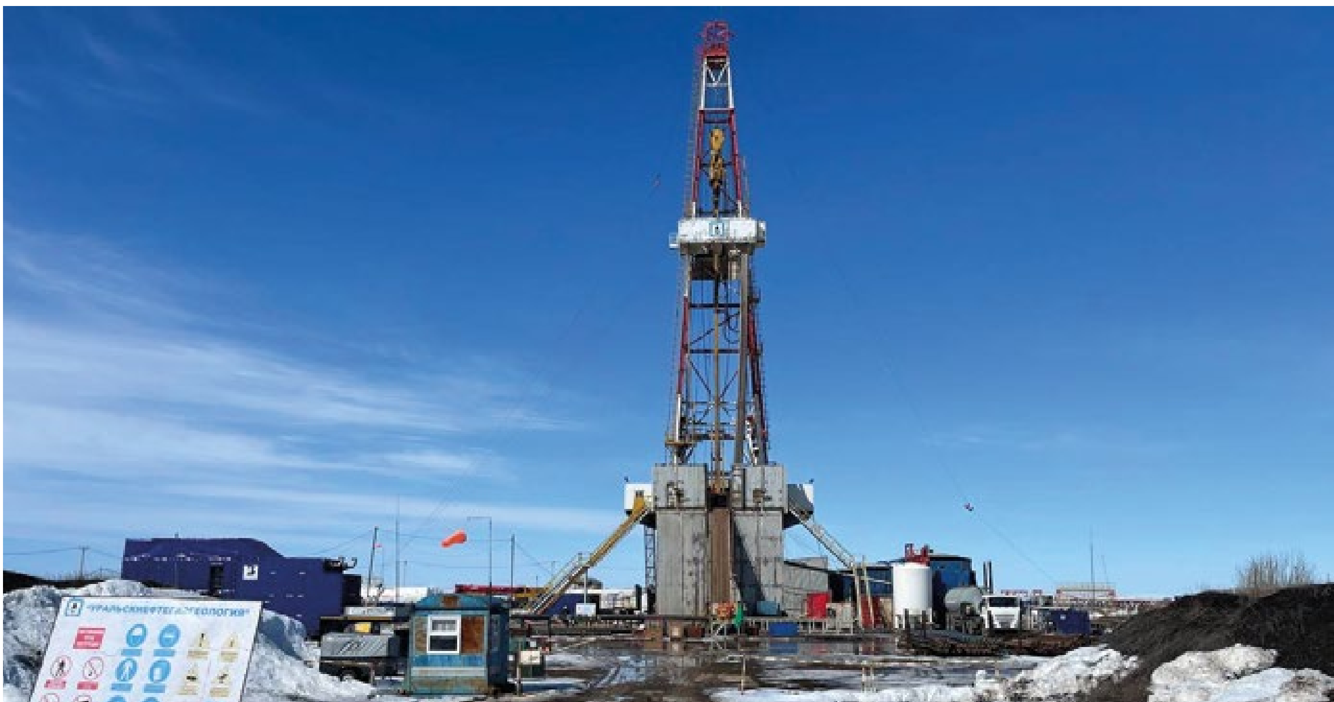
Governments and regulators

We paid US$59.9m of tax in 2023 to governments. Our gas process infrastructure with significant available capacity, located only about 100 km north, offers a compelling value proposition to both RoK and KPO, especially as an alternative to increasing supplies to or from Russia.

Executing our strategic catalyst projects

This strategy signifies our commitment in evaluating and investing in both upstream and midstream opportunities focusing on those where we see the most favourable risk/reward balance.

Upstream



Expanding gas lift system

In 2023 we upgraded the gas lift system by adding a 3rd gas lift compressor, doubling the capacity from 27,000 to 54,000 standard cubic meters per hour. This expansion helped to slow down the production decline from the maturing Chinarevkoye field, with initial production gains exceeding management's expectations.

Quarter-on-quarter production increase in Q3 2023

12%

Acquisition of new asset Stepnoy Leopard fields

In July 2023, Nostrum acquired an 80% interest in Positive Invest LLP, which holds the subsoil use right to the Stepnoy Leopard Fields in the West Kazakhstan region for US$20m.

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

In 2024, Nostrum approved

US$100m

initial field development phase for the Stepnoy Leopard fields

Drilling programme at Chinarevskoye field

In August 2023, the Company's Board approved a limited-scale drilling programme for the Chinarevskoye field to be executed over 2023-2024. This adheres to Zhaikmunai LLP's commitments under the Field Development Plan and its production sharing agreement for the field, aiming to minimise costs by utilising existing wellbores.

The programme will leverage existing wellbores to reduce costs and carries a level of uncertainties and risks as the planned subsurface targets contain multiple exploration, appraisal, and development objectives. In early 2024, Nostrum completed drilling of well 301, second well in progress.

Midstream

Start of Ural Oil & Gas tie-back and first gas to Chinarevskoye gas treatment facility

Ural O&G's Rozhkovskoye field production start was achieved safely with one well (U-21), while the other four planned wells are scheduled to begin operations by late 2024.

The first well commenced production with a rate of

c. 300,000m^3

of raw gas per day

Completion of the re-start of GTU-3

In September 2023, Nostrum successfully completed the re-start of its c.US$750m state-of-the-art GTU-3 gas plant with a processing capacity of 2.5 billion cubic meters per annum. Subsequent to commissioning and start-up of the plant in 2019, the Company completed the modifications and other works on GTU-3, which also reduced the plant operating turndown capacity. GTU-3 employs cutting-edge turbo-expander technology enabling improved efficiency in the extraction of LPG, and it is operating as designed delivering dry gas, LPG, and condensate to sales specifications.

Total processing capacity

4.2bcm

GTU-3 processing capacity

2.5bcm

Delivering on our promises

Last year we successfully completed the restructuring of our bonds, leading to a strengthened balance sheet and safeguarded cash reserves. This financial stability enabled us to expand our upstream portfolio, notably through the acquisition of the Stepnoy Leopard fields and commencement of a limited-scale drilling program at the Chinarevskoye field. In our midstream activities, we achieved a major milestone by starting to process third-party feedstock in our gas treatment facility for the first time. Additionally, we realised considerable improvements in our ESG risk rating, thereby improving our standing in the industry.

These accomplishments were made possible by the invaluable support of our newly appointed Board of Directors, following the successful completion of the Group's bond restructuring in Q1 2023.

Moving forward we will continue to execute the strategic catalysts and priorities as agreed with our exceptional Board, with razor-sharp focus on controlling costs, maintaining operational liquidity, and judicious allocation of capital to progress value-accreting growth opportunities across our upstream and midstream portfolios. Nostrum is well-prepared to face future challenges and our achievements to-date demonstrate our commitment to operational excellence and sustainability.

Strategic pillars in action: Upstream achievements

Acquisition of Stepnoy Leopard field

Following last year's significant milestone, the restructuring of our bonds, Nostrum has diversified successfully the upstream portfolio from a single-asset (Chinarevskoye Field) to a multi-asset company. This was accomplished by our strategic acquisition of an 80% stake in Positive Invest LLP, which holds the subsoil use rights to the Stepnoy Leopard Fields in the West Kazakhstan. Located about 100 km west of our world-class 4.2 bcma full-process infrastructure, this field represents an attractive Nostrum-operated upstream tie-back project that could deliver material reserves, potentially off-setting the Group's depleting resource base at the Chinarevskoye field.

The Stepnoy Leopard Fields are estimated to contain substantial proven undeveloped recoverable resources, ranging from 50 to 150 mmboe, with liquids constituting over 20%. There are eight laterally stacked gas-condensate reservoirs with over 100 wells drilled during the Soviet era. The appraisal operations commenced in Q3 2023 with a targeted data gathering

campaign that includes fluid sampling, extended well testing, and capturing reservoir properties. The well appraisal operations were nearly complete at the date of release of this report and significant data has been collected that included well flow rates, fluid contacts, and fluid and reservoir properties across a logged interval with c. 50-meter of net-pay. The flow-rate and pressure build-up tests confirm high well productivity potential with peak rate indications of c. 20 mmcfd and 600 bcpd in a 3 ½" tubing. We believe that the positive results obtained to date support the commercial potential of the field, hence in March 2024 we made a final investment decision ("FID") for the initial field development phase of the Stepnoy Leopard Fields with the forecast total capital budget of US$100 million gross. The forward plan is to compile a Competent Person's Report (CPR) to reclassify specific resources into reserves.

A tie-back project of this scale and magnitude will also increase meaningfully the utilisation of our 4.2 bcma processing facilities, especially when combined with the additional production from Ural O&G that commenced in Q4 2023.

Limited-scale drilling programme

Over the past four years, the Chinarevskoye field has seen an anticipated annual production decline of 24%, owing to the natural depletion of our mature primary reservoirs. To further evaluate the remaining reserves development potential we re-processed the 3D seismic and have been conducting extensive subsurface studies since 2022. This has led to the identification of additional drilling opportunities that indicate a wide-ranging risk/reward characteristics. From this opportunity set, we selected two highly ranked drilling targets across the primary Carboniferous and Devonian producing intervals that are also oil-prone and as such potentially more robust economically. Generally, new drill-wells at Chinarevskoye field can cost US$15-20m to drill and complete. By utilising existing wellbores to either drill deeper or to sidetrack out of, the total costs can be reduced by 20% to 30%. The two proposed wells although not risk-free carry reasonable upside and were approved by the Board, with a combined estimated costs of US$26m. The first well (CHN-301) was spudded in December of 2023 with drilling in Q1 2024 to total depth of 4,980 meters on time and on budget, and awaiting completion operations with start-up expected mid-2024. It had multiple in-fill targets across the Carboniferous and Devonian age reservoirs. Hydrocarbons (oil, gas-condensate) have been encountered across three key intervals. The results are in line with our expectations of initial well rates of 400 to 700 boepd. The drilling rig will now move to well No.41, with expected spud in late April and start-up in Q3 2024. This well is a sidetrack and carries a higher level of geologic risk as it is a step-out from the existing well control in the targeted Devonian reservoir. If successful, these wells will enable a cost-effective means of converting the field's 2P reserves to PDP whilst also complying with Zhaikmunai's PSA obligations.

Upstream Operations: with Gas lift expansion

The annual average production in 2023 was 10,091 boepd. The annualised decline of 24% was greatly improved (by 5-6%) due to the successful and safe installation in July of the new compressor that nearly doubled the total field gas-lift capacity from 500k m^3/day to 900k m^3/day. As stated previously, all of the primary producing reservoirs have seen rapidly rising water-cut whilst also experiencing pressure depletion. This causes wells to decline faster and die earlier at lower water-cuts without some form of downhole assistance to lift the heavier fluid column. Gas-lift and ESPs are the two main technologies employed in the field for this purpose with bulk of the wells on gas-lift. The gas-lift expansion project has injected a new life into the ageing wells and with the help of best-in-class well & reservoir management is succeeding in slowing the field's production decline by at least 5-6%.

The upstream operations also safeguarded the operational liquidity by controlling opex and G&A against continued upward supply-chain pressures and inflation whilst delivering a solid performance on the production system availability of better than 98% with under 4% production deferment. Further, we completed our product exports without any disruptions despite the prolonged conflict in Ukraine and delivered c. 3.2 mmboe in sales volumes. Our netbacks also benefited from the new off-take contracts that significantly reduced the steep discount to the Urals oil benchmark.

Strategic pillars in action: Midstream achievements

Completion of the re-start of GTU-3

The successful commissioning and safe restart of our US$750m state-of-the-art GTU-3 gas plant has been a significant development for Nostrum that underscores our commitment to innovation and operational excellence.

Utilising the cutting-edge turbo-expander technology, the GTU-3, with its annual processing capacity of 2.5 billion cubic meters, boasts improved efficiency in the extraction of LPG by 15 to 20%. Moreover, the plant's operating turn-down capacity threshold has also been further reduced via installation of a recirculation system, enabling the plant to operate safely at much lower production rates.

Since the third quarter of 2023, GTU-3 has been operational with better than 90% availability, aligning with design specifications and efficiently processing dry gas, LPG, and condensate. Together with GTU-1 & 2, we are now fully operational with the 4.2 bcma processing facilities that will support expansion of the midstream business.

This achievement not only advances our position in the energy security but also aligns with Kazakhstan's broader energy needs.

Midstream Operations: Start of Ural O&G tie-back (Rozhkovskoye Field)

Last year represented a notable advancement in Nostrum's midstream strategy, with tie-back of Ural O&G's Rozhkovskoye field and processing the first-ever third-party feedstock in our gas treatment facility. This development marks the beginning of a new phase for our operations.

We completed on-time and budget the pipeline installation and the associated facilities to connect the Rozhkovskoye field at our southern manifold. Our project and operations teams worked hand-in-hand with the Ural O&G project team to achieve a safe commissioning and startup, ensuring at all times that the minimum safety standards related to asset-integrity and process-safety are adhered to. Production commenced from U-21 well in December 2023 and continues to ramp-up. The plan is to connect additional four wells during 2H 2024 with combined throughput to reach 1.5 million m^3 per day of raw gas[1]. Nostrum is processing the gas under a processing agreement that covers gas, LPG, and condensate.

This collaboration with Ural O&G represents a pivotal moment for us as we expand the utilisation of our world-class treatment facilities and position ourselves as a preferred partner for handling and processing third-party gas in Western Kazakhstan. Our state-of-the-art infrastructure is designed to process up to 4.2 bcm per annum or more of third-party gas, offering faster processing solutions at significantly reduced costs compared to other alternatives. The realisation of the Ural O&G tie-back project is a proof-of-concept for commercialisation of the stranded gas-fields in West Kazakhstan that would otherwise not be economic as a stand-alone development. As such, this presents a compelling opportunity to unlock additional value for RoK and to drive a rapid increase in domestic supply by nearly 20%, contributing significantly to Kazakhstan's long-term gasification plan and the development of cleaner energy resources.

Karachaganak Tie-Back Studies

We have continued to internally evaluate various scenarios of connecting nearby fields, including the giant Karachaganak gas-condensate field to our 4.2 bcma processing facilities. Located c.100 km south of our facilities, the Karachaganak field with an estimated 60 tcf of gas and currently producing c. 18 bcma, remains a strategic opportunity for RoK both in relation to energy security and transition. To maximise the condensate recovery, about half the gas produced from the field is re-injected and half exported to the Orenburg Gas Plant (OGP) in Russia. The field's commerciality is linked to its recovery of the liquids via gas re-cycling. As is normally the case, the reservoirs undergoing gas re-cycling over time will begin to dry-out and as such start to experience rapidly rising producing gas to condensate ratios. We expect the field's overall gas production to increase substantially from 18 bcma to perhaps 30 bcma in the next few years and as such substantial additional gas handling capacities will be required and Nostrum's processing facilities can be part of this solution space. Our state-of-the-art gas processing infrastructure offers the fastest possible startup solution at the lowest possible cost that would benefit both RoK and the field's operator KPO, especially as an alternative to increasing supplies to or from Russia.

Strategic pillars in action: ESG achievements

Nostrum's dedication to ESG principles continues to be a key focus of our strategy. As a prominent employer in the West Kazakhstan region, employing over 500 Kazakh nationals, accounting for more than 92% of our workforce, we are committed to initiatives that foster human capital development, combat bribery and corruption, and maintain high standards in safety, environmental compliance, and emissions control.

In 2023, we further strengthened our ESG task force and enhanced our ESG Risk Rating, securing a favourable position within the industry. Our active participation in the National ESG Club also reflects our commitment to sustainable development across Kazakhstan.

As evaluated by Sustainalytics, our ESG Risk Rating improved to 30.1 from 40.1 last year, transitioning Nostrum to the lower spectrum of the "High Risk" category and nearing the "Medium Risk" classification by a mere 0.1 point. According to the Sustainalytics's rankings, this progress has also positioned Nostrum among the top 20 companies in the Oil & Gas Exploration and Production sector.

We remain committed to reducing greenhouse gas emissions. Our actual GHG emissions in CO_2 equivalent were 180,157 tonnes in 2023, and 6% higher compared to 2022. A 22 thousand tonnes of CO_2 equivalent increase in emissions in 2023 is due to the re-start of GTU-3 and, as a result, higher fuel consumption requirement.

As a company focused primarily on gas, we recognise the substantial opportunity to support the shift towards a cleaner energy mix through the utilisation of our world-class facilities. We are aligning our strategies with Kazakhstan's extensive gasification initiatives, ensuring our position as an important contributor to the nation's energy stability.

HSE

At Nostrum, ensuring the safety and well-being of our employees and contractors is of paramount importance. Our ongoing commitment to occupational safety is directed towards achieving zero fatalities and significantly reducing the Total Recordable Incident Rate (TRIR), Lost Time Injury Rate (LTIR), and Road Traffic Incidents (RTI). We have upheld an exemplary safety record over the past four years, with no fatalities reported during our operations. However, I regret to report a tragic incident in 2023 where we lost a contractor employee. The incident occured during steady-state operations and routine maintenance. The worker who was conducting thermo-insulation of equipment, fell into an opening where a functional guardrail was missing, from a height of 10 meters, sustaining injuries which unfortunately proved fatal. This loss is deeply felt and serves as a stark reminder of the criticality of fostering continuously safety as a core value. Following this incident, we conducted thorough investigations and have taken further measures to strengthen our occupational safety rules and oversight, specifically in relation to the strict adherence to our "Permit to Work" system.

1. According to Ural O&G guidance.

The entire senior leadership team remains engaged at the grass-root level, placing a high priority on winning hearts & minds, and helping to promote a mindset of continuous improvement in the journey to achieving our collective goal of zero incidents.

Our efforts succeeded with tangible results in other ratios, as evidenced by a 52% y-o-y decline in the TRIR and zero RTI, highlighting our continuous commitment to safety improvements, active leadership engagement, and fostering a culture where incident reporting and proactive intervention are encouraged and rewarded. HSE is a critical element of our strategic and operational focus, consistently driving me and my team to maintain the highest safety standards.

Our financial performance

The financial performance of the Group in 2023 remained relatively buoyant owing to improved production performance from the gas-lift expansion, tight cost controls, and improved net-backs under new off-take agreements. However, despite all efforts to improve top-line revenue and margins, the revenues decreased year-on-year by 40% due to the continued field-level production declines of the mature Chinarevskoye field, in combination with lower average Brent prices from US$100.9/bbl to US$82.5/bbl. Consequently, our EBITDA fell to US$42m, with an EBITDA margin of 35.2%, reflecting the impact of reduced revenues against a largely fixed cost structure.

In 2023, with the exceptional focus on controlling costs and improving efficiencies across all facets of our business Nostrum managed to generate US$23m in positive operating cash flow before payments of around US$25m taxes and penalties as a result of tax audit of previous years. Such cash generation was sufficient to cover capital expenditures and most of the coupon payments during the year. However, non-recurring items of US$25m paid on completion of the bond restructuring and US$19.3m payment for 80% stake in Positive Invest LLP, together with tax audit payments led to decrease in our cash balances to US$161.7m from US$233.6m.

Looking ahead, the Company will need to tap into its existing cash reserves for potential investments in new projects and activities, such as the appraisal and development at the Stepnoy Leopard fields or the drilling program at the Chinarevskoye field. Nevertheless, cost optimisation will remain a critical focus to preserve our cash reserves for the growth-oriented programs. While we kept our opex and G&A expenses under control, we are also committed to minimising cost increases necessary for the development of new projects like Stepnoy Leopard and Ural O&G, by reallocating and efficiently utilising our existing resources.

We are diligently working on capital allocation to ensure the strategic development of our opportunity funnel, aiming for maximsing return on investment. The progression and financial requirements of the Stepnoy Leopard field will significantly influence our investment strategy, determining whether we can self-fund or need to seek additional investments, all while maintaining liquidity.

Conclusion

I extend my sincere gratitude to the entire Nostrum team. Despite the challenges faced by our company and the broader oil and gas sector, we have continued to deliver on our promises.

As we transition into 2024, I am enthusiastic about the future, the forthcoming opportunities, and have great confidence in our resiliency in facing the challenges head-on. Nostrum is poised to advance its strategic objectives, contributing to regional development, supporting Kazakhstan's energy transition, and enhancing value for our investors and stakeholders.

In closing, I would like to convey my sincere appreciation for the continuous trust and support from our investors, the relentless commitment of our employees, and the productive engagement by all our partners. Your collective commitment forms the foundation of our success.

Arfan Khan
Chief Executive Officer

Strategy for the future

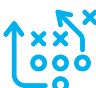
Following the completion of the Restructuring the Company is now focusing on unlocking the full potential and value of its existing world-class gas processing infrastructure.

Our purpose

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

Our vision

To profitably and materially contribute to the total marketable commercial gas supply in Kazakhstan whilst strengthening a cleaner energy mix.



Our values

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

Strategic pillars	2024 priorities
DEVELOPING UPSTREAM POTENTIAL • We remain confident in our long-term growth strategy, while broadening our opportunities with investments in future growth best-in-class facilities and continuous improvement of our portfolio in the industry	• Complete drilling programme at Chinarevskoye field. • Continue maintenance and workovers programme at Chinarevskoye field. • Start of the Stepnoy Leopard field development, CPR to reclassify specific resources into reserves.
PURSUING MIDSTREAM OPPORTUNITIES • We have developed multiple strategies to commercialise the spare capacity in our world-class gas processing facilities • Well-positioned to become a major gas processor	• Advance ongoing discussions with third parties interested in supplying raw gas to take advantage of the Group's gas processing capacity. • Connect additional four wells from Ural O&G. Ural O&G to install a permanent line with a fiscal metering unit during 2024.
MANAGING OUR CAPITAL ALLOCATION • We are structurally addressing our cost base and building a cost-conscious culture to support our growth ambitions, improve our balance sheet, offset inflationary pressures • Cash flow growth through disciplined capital and cost management	• Continue to challenge costs whilst pivoting towards growth and transitioning into a multi-asset energy company. • Evaluate all sales routes for sustainability and profitability. • Assessment of the opportunities and their ranking for most efficient allocation of capital to maximise stakeholder returns.
FOCUSING ON ESG PERFORMANCE • Strong ESG performance focus: contributing to energy security and transition to cleaner energy • Strengthening of corporate governance with new, highly experienced BoD	• Safe operations and care for the environment. • Fulfilling social responsibility. • Transparency with all stakeholders by enhancing ESG Reporting. • Board actively involved in the transformation/transition

KPIs	Risks	Forecasts, objectives and prospects for 2024-2025
• Complete drilling of wells Ch-301 and Ch-41_1_1 on time and budget. • Maximise uptime of existing wells and production facilities. • Completion of CPR.	• Significant subsurface uncertainties and risks could negatively impact drilling and appraisal campaigns. • Impact of equipment failure. • At low production levels, unexpected sub-surface events could severely impact the Group's operating cash flow.	• Successful and timely completion of drilling programme at Chinarevskoye field. • Start of the Stepnoy Leopard field development, CPR to reclassify specific resources into reserves. • Reduce decline rates in existing production wells.
• Operational readiness for increased raw-gas supplies from Ural O&G. • Conclude commercial processing contracts. • Mechanical completion of the Sulphur Recovery unit upgrade without any major HSE incident.	• Ural O&G project execution delays with tie-back of additional wells due to weather and installation of fiscal metering. • Ongoing negotiations with various counter-parties are complex and commercially sensitive, and there can be no certainty that agreement will be reached.	• Connect additional four wells from Ural O&G midstream project. • Execute binding commercial contracts to fill the Group's spare gas processing capacity with third-party volumes.
• Control Opex and G&A. • Balance sales mix and maximise netbacks.	• Challenges in attracting additional capital for execution of prospective opportunities. • Sustained higher commodity prices can lead to cost inflation in Kazakhstan. • Further spend on CHN reservoir development will likely be needed to satisfy regulatory and licence-to-operate requirements.	• Manage "operational" liquidity and cash reserves to ensure continuity of operations whilst unlocking the future growth opportunities.
• Total recordable injury frequency. • Lost time injury frequency. • Road traffic incidents. • Greenhouse gas emissions. • Focus on improvements across ESG and ultimate upgrade in rating. • To further improve overall ESG risk rating.	• Legal framework for environmental protection and operational safety still being developed in Kazakhstan.	• Execution of the ESG plan. • Achieve objectives set in the HSE plan (HSE Leadership, Incident management, Personal Safety, Contractor management, Process safety/Asset integrity).

See KPIs section on pages 22-23

See Risk Management section on pages 32-33

Understanding our stakeholders

Continuous engagement is integral to our day-to-day operations and working together towards shared goals is a key factor in facilitating, both in the short and longer term success of the business. We engage by providing information about our activities and discussing with stakeholders their interests and concerns. Understanding what matters to our stakeholders and their views is fundamental to effectively achieving our corporate goals.

Section 172(1) statement GRI 203-2

The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act and to have regard for the interests of the Company's employees and other stakeholders, including the impact of the Company's activities on the community and the environment, when making decisions at Board level. The Directors, acting in good faith, consider what is most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so balance the sometimes competing interests of various stakeholders including investors, employees, customers, suppliers and the communities in which the Company operates.

Read more about our governance on pages 82-120.

Read more about delivering our responsible business practices on pages 50-81.

Key stakeholders

Workforce

The Group had a workforce of 571 full-time employees at 31 December 2023, the majority based in Kazakhstan and of whom 92% were Kazakhstan nationals.

Investors

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

Local communities

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

Suppliers and contractors

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

Governments and regulators

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

Why we engage	How we engage, key developments and decisions	
• The physical and mental well being of our employees is essential to the continued safe operation of our Group.	• Increased interactions between management and the workforce including cooperation meetings and town hall events.	• Annual wage indexation to help alleviate effects of inflation including indexation with effect from 1 January 2023.
• Maximising stakeholder returns, alongside meeting our financial obligations and compliance with bond covenants, stands at the forefront of Nostrum's agenda. Engagement with our stakeholders, including minority shareholders, is crucial for their understanding of Nostrum's plans to monetise its infrastructure. Further financing capital injection might be required if Nostrum is to be successful in those plans.	• In February 2023 Nostrum completed the implementation of the restructuring after obtaining all required licenses and approvals. As a result, US$1.125bn of existing notes have been replaced with US$250m Senior Secured and US$345m Senior Unsecured notes due in 2026. The remaining portion of existing notes were converted into the Company's equity and the existing ordinary shareholders were diluted to 11.11%, subject to further dilution if the warrants held by existing noteholders are exercised. • Regular update and disclosure around results including conference calls and press releases as and when required.	• Financial reports and extensive other shareholder information, including Russian translations of all press releases, are available on our website. • Our Annual General Meeting provides an opportunity for all shareholders, including minority shareholders, to ask questions of the Board. • In March 2023, Nostrum's Board and senior management team held a Capital Markets Day in London to update investors and shareholders on the strategy and the Company's performance following the completion of the restructuring.
• To successfully co-exist with the communities within which Nostrum operates, we need to understand what is important to them and how we are able to contribute.	Throughout 2023, the Company actively interacted with the local community. During 2023, sponsorship and charitable assistance was provided to various public associations and local communities. The Company's support in 2023 is evidenced by the following: • Construction of a park and planting fruit trees in the town of Beles. • Providing funds for repair and improvement of material and technical base for general education schools and preschool institutions, purchase of school supplies for children from large families and low-income families. • Providing financial assistance to young athletes and winners of various intellectual academic competitions to participate in international competitions and contests.	• Acquisition of medical rehabilitation trainers for Daryinsk Social Services Center, charitable assistance to Disabled People Society. • Allocation of funds for children requiring treatment outside of Kazakhstan. • Financial support in organisation of the regional contest of the best health professionals of West Kazakhstan region. • Providing support on an as-needed basis to the region we operate in, such as preventing natural disasters during severe weather conditions (blizzards, snowfalls, floods) by providing special machinery and equipment.
• Our suppliers must meet high safety, legal and ethical standards. • We recognise our role as a leading contributor to the local and national economy, therefore we continue to engage local suppliers to meet our operating needs.	• Where commercially attractive, contracts were extended ensuring continuation of relationships and building further on raising HSE and operating standards.	• In some cases, contract scopes were split to maintain relationships with the service providers, in particular in relation to new construction projects.
• A number of the Board's decisions require careful consideration of governmental and/or regulatory issues. • We pay substantial amounts of taxes and social contributions.	• Formal and informal discussions are held on a regular basis with local and national government, regulatory and tax officials and ministers across a variety of levels within Nostrum. In this way we can be aware of and responsive to proposed changes in legislation or the interpretation of existing laws and regulations.	• With the completion of restructuring in early 2023, the Company is now well-positioned to move expeditiously to unlock the full potential and value of its existing world-class gas processing infrastructure, acting in the best interest of our investors and other stakeholders, whilst strengthening the energy security of the region.

Tight financial discipline and responsible, safe operations

Our key performance indicators provide a balanced set of metrics that emphasise both financial and non-financial measures. These assist the Board in evaluating our Company's performance.

Financial KPIs

Whilst Nostrum has successfully built infrastructure and produced over 100 mmboe from the Chinarevskoye field, it has incurred substantial debt and faces declining production from its producing field. In 2023 the Group has restructured its debt and reinforced its tight financial discipline to maintain liquidity and safeguard our core business.

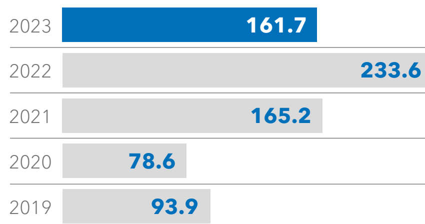
Cash and cash equivalents decreased in 2023 mainly due to payments associated with completion of the Restructuring, tax audit payments and acquisition of Stepnoy Leopard fields.

Increases in Opex and G&A expenses in 2023 were necessary for enabling growth opportunities such as Ural O&G processing, Stepnoy Leopard appraisal and project development. On a per barrel basis these costs also increased due to the decline in production volumes.

Selling and transportation costs decreased on a per barrel basis following the changes in offtake agreements and delivery destinations.

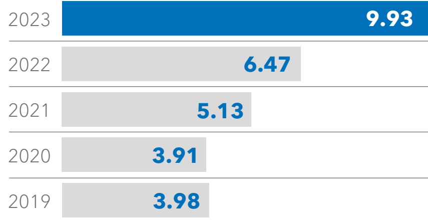
CASH AT THE YEAR END

US$**161.7**m



OPERATING COSTS

US$/boe**9.93**



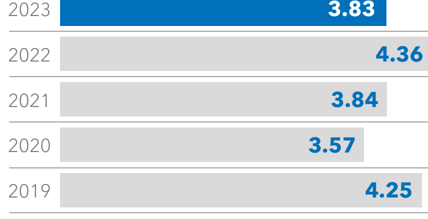
G&A COSTS

US$/boe**3.70**

Year	US$/boe
2023	3.70
2022	2.47
2021	1.92
2020	1.72
2019	1.86

SELLING AND TRANSPORTATION COSTS

US$/boe**3.83**



Non-financial KPIs

Performing responsibly and safely is integral to our strategy and to the sustainability of our business. We believe that long-term value comes from seeing success as a part of a bigger picture, encompassing people and the environment. We have set ourselves specific non-financial KPIs to track our progress, as we believe this to be the best way to monitor our achievements in relation to environmental, social and governance matters. In 2023, Nostrum ESG KPI targets were:

- Reduce GHG emissions with 5% of 2022 actual CO_2 equivalent level.
- HSE KPIs:
  - Achievement of the approved 2022 HSE Plan (provided that there have been no fatalities).

SALES VOLUMES

8,874boepd

Year	Sales volumes
2023	8,874
2022	12,524
2021	15,330
2020	21,514
2019	26,671

HAZARD OBSERVATION CARDS

930 units

Year	Hazard observation cards
2023	930
2022	1,746
2021	1,278
2020	665
2019	216

ROAD TRAFFIC INCIDENT FREQUENCY

Zero incidents[1]

Year	Road traffic incident frequency
2023	0.00
2022	0.00
2021	1.46
2020	0.72
2019	0.72

LOST TIME INJURY FREQUENCY

0.37 incidents[2]

Year	Lost time injury frequency
2023	0.37
2022	0.00
2021	0.81
2020	0.84
2019	1.39

TOTAL GREENHOUSE GAS EMISSIONS

180ktCO_2e

Year	Total greenhouse gas emissions
2023	180
2022	170
2021	187
2020	188
2019	223

TOTAL RECORDABLE INCIDENT RATE

0.75 incidents[2]

Year	Total recordable incident rate
2023	0.75
2022	1.56
2021	2.42
2020	3.80
2019	2.96

1. Per million km driven.
2. Per million hours.

Our products

Nostrum's production portfolio comprises crude oil, stabilised condensate, LPG, and dry gas. In addition, starting from December 2023 the Group launched processing of third-party hydrocarbons. Further details about our products are provided in the table below.

	Crude oil	Stabilised condensate
Quality	Density – 0.834g/cm^3 API – 38.2 degrees Average sulphur – 0.55%	Density – 0.755g/cm^3 API – 55.9 degrees Average sulphur – <0.06%
Sales	PSA requires at least 15% to be sold domestically with remaining 85% exported In 2023, 23.8% was sold domestically and the remaining volumes exported in accordance with the PSA, which is in line with the past few years and expectations (i.e. up to 25% of crude oil could be supplied to the domestic market)	100% exported Destinations include the Kazakhstan port of Aktau with further shipment to Baku and BTC pipeline to Mediterranean
Pricing	Brent and Urals based pricing for pipeline exports Domestic sales at over 50% discount Prices negotiated directly with the purchaser	Brent based pricing, negotiated directly with the purchaser
Transportation	During 2023, all exported crude oil volumes were sold through the KazTransOil (KTO) pipeline Crude exports are delivered to the KTO pipeline through an extension to our own 120 km pipeline from the field site. From here the crude is delivered via trunk pipelines	Sent through our own 120 km pipeline from the field site to our own rail loading terminal in Uralsk From here it is loaded onto railcars and sent to Aktau by rail for further transshipment

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

Year	Production (BOEPD)	Product split (%)
2023	4,630	46%
2022	5,696	43%
2021	6,877	40%
2020	8,476	38%
2019	9,798	34%

	LPG	Dry gas
Quality	Field-grade quality No olefins and low sulphur content	
Sales	100% exported Destinations include the Russian Black Sea ports, Ukraine and Poland	100% sold to NC QazaqGaz
Pricing	International Mediterranean LPG price Sonatrach for Black Sea deliveries Argus quotations for specified destinations (Ukraine, Tajikistan and Poland)	Brent based price formula agreed until the end of 2024
Transportation	Loaded onto LPG trucks at the field site and trucked to the third-party rail loading terminal located in Zhelaevo From here, the LPG is loaded onto railcars and sold to third parties	Sent through our own 17km pipeline from the field site to the connection point with the Intergas Central Asia gas pipeline Sold at the connection point

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

Year	BOEPD	%
2023	1,287	13%
2022	1,650	13%
2021	2,065	12%
2020	2,795	13%
2019	3,569	13%

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

Year	BOEPD	%
2023	4,174	41%
2022	5,854	44%
2021	8,090	48%
2020	11,065	50%
2019	15,173	51%

2023 developments

Production in 2023 was 10,091 boepd, which represents a 23.5% decline compared to 2022, and slightly higher than expectations, mainly because of the successful project implementation of additional gas-lift. Chinarevskoye field average daily production for 2024 is forecast to be in the range of 7,000-8,000 boepd.

Drilling and workover operations at the Chinarevskoye Field

In August 2023, the Company's Board of Directors approved a limited-scale drilling programme for the Chinarevskoye field to be executed over 2023-2024, in line with the license commitments and field development plan of the Company's subsidiary Zhaikmunai LLP. The programme will leverage existing wellbores to reduce costs and carries a level of uncertainties and risks as the planned subsurface targets contain multiple exploration, appraisal, and development objectives.

The total rig workover campaign in 2023 consisted of 5 interventions on a range of horizons for oil and gas-condensate wells. As in 2022, rigless re-completions, additional perforations and acid stimulations were also carried out on a number of oil, gas-condensate and water-injection wells. Gaslift was successfully introduced in gas condensate wells allowing continuation of production and additional candidates will be targeted in 2024.

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

In 2023 the uptime of the processing facilities was 99.2% for oil and 99.7% for gas processing. Planned downtime of the plant was 75% lower than expected with maintenance of oil treatment plant causing a three-day and 20K boe of deferred production. Unplanned plant downtime, primarily due to a fire in the 10KV substation, was less than a day and a deferment totaling 12K boe. The autumn compressor maintenance incurred only a 7K boe deferment with no plant shut down.

As of 31 December 2023, the Company had 44 production (28 oil and 16 gas condensate) wells in operation in the Chinarevskoye field.

Completion of the re-start of GTU 3

In September 2023, Nostrum announced the successful completion of the re-start of its c.$750 million state-of-the-art GTU-3 gas plant, with 2.5 billion cubic metres per annum gas processing capacity. The Company completed the modifications and other works on GTU-3 subsequent to its commissioning and start-up in 2019. The plant employs cutting-edge turbo-expander technology enabling improved efficiency in the extraction of LPG; the upgrades also reduced the plant operating turndown requirements. GTU-3 is operating as per design and delivering dry gas, LPG, and condensate to sales specifications.

Acquisition of Stepnoy Leopard fields

In July 2023, Nostrum acquired an 80% interest in Positive Invest LLP, which holds the subsoil right for the Stepnoy Leopard fields in the West Kazakhstan region. Zhaikmunai LLP was assigned as operator for the field.

The acquisition price was US$20 million (less a modest amount of debt owed to Nostrum Oil & Gas Coöperatief U.A.). Management estimates that the Stepnoy Leopard Fields hold between 50 mmboe and 150 mmboe of recoverable volumes which are considered contingent resources, with over 20% estimated to be liquids.

There are eight fields covered by the licenses with over 100 wells drilled in the Soviet era which have confirmed hydrocarbons to be present. The resources are considered by management to be contingent due to the appraisal and development risks, noting the fields have not previously been developed in part due to the lack of needed infrastructure.

In September 2023 the Company commenced appraisal campaign at the Stepnoy Leopard fields to re-enter two existing wells in the Teplovskoye reservoir to take representative fluid samples and conduct extended well testing. In 2024, the well appraisal operations are nearly complete and the FID made for the initial field development phase.

Additional third-party volumes

Start-up of Ural O&G tie-back and first gas to Chinarevskoye gas treatment facility

The core strategy for Nostrum to create value for its stakeholders is to commercialise the investment made in its infrastructure, the focus being on filling the spare capacity with third-party hydrocarbons. A significant milestone in this strategy was reached in 2023 with the initiation of the Ural Oil & Gas LLP (Ural O&G) tie-back project.

Agreements were signed in 2018 with Ural O&G for processing their hydrocarbons at Nostrum's Chinarevskoye gas processing facility. The partnership focused on leveraging spare capacity and tapping into Ural O&G's Rozhkovskoye field, which is situated less than 20 km from the Chinarevskoye field.

Ural O&G's Rozhkovskoye field production start was achieved safely with one well (U-21), with the remaining planned four wells to commence in 2024. The system is currently utilising a temporary line and a three-phase separator for measurement. During 2024, a permanent line with fiscal metering unit will be installed by Ural O&G as per contract.

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

Nostrum is also focused on entering into additional agreements which can fill all the remaining capacity at its GTF.

Reserves

The Chinarevskoye field (Chinarevskoye) is the only producing field owned by the Group. Its governing PSA dates 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 2023. The licence is 100% owned by Zhaikmunai, the Group's principal Kazakhstan operating company.

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

Group management provided an estimate of the Chinarevskoye Proven, Probable and Possible reserves as of 31 December 2023, which was internally prepared under the guidelines set forth in the 2018 Petroleum Resources Management System (SPE-PRMS) and was not subject to an external audit as no material change in the reserves development was made. The internal reserves estimation workflow covered volumes of reserves, production and discounted future net income estimated by management.

Production and future net income were derived from a drilling and well intervention program to extract the estimated Proven, Probable and Possible reserves at a long-term Brent benchmark average oil price of US$75 for 2024 and US$70 from 2025 onwards. However, execution of the program to recover the 2P reserves is dependent on Nostrum successfully further identifying low risk drilling targets, and to this end seismic and geological work is ongoing. There is no guarantee that the Group will be able to achieve this, which could have a material impact on the Group's ability to develop the remaining Proven and Probable Reserves at Chinarevskoye.

Total 2P (Proven plus Probable) reserves are 23.2 mmboe as of 31 December 2023 after adjusting for reservoir production of 3.7 mmboe in 2023. The net reduction in reserves of 1.4 mmboe in the year is due to poorer-than-expected production from the Biyski- Afoninski North-East and Ardatovski North-East gas reserves but being partially offset by better production associated from other producing horizons and the 2023 workover and rigless intervention campaign. The Proven and Probable reserves volume requires 14 CAPEX interventions, with an additional 11 OPEX well interventions for production maintenance (2022: 28.3 mmboe requiring 17 CAPEX interventions).

Management's estimates of reserves of 31st December 2023 and a comparison with the reserves of 31st December 2022 are summarised in Table 1. Please refer to page 135 for more details on estimation uncertainties.

The Total 1P (Proven) reserves for Chinarevskoye at December 31st 2023 was 16.3 mmboe or 3.9 mmboe down year-on-year due to 2023 production and poorer than expected performance in the Biyski-Afoninski North-East and Ardatovski North-East gas condensate reservoir which was partially offset by a positive revision in other reservoirs due to well performance and successful workovers and rigless interventions. 1P reserves volumes are comprised of 15.1 mmboe for Proven, Developed Producing (PDP) from 44 current wells and 1.2 mmboe for the Proven, Undeveloped (PUD) category which assumes the deepening of one well, the sidetracking of another and one workover.

The current Probable Undeveloped case assumes 9 rig-assisted interventions including four workover recompletions, side-tracking of four existing wells, and one new vertical well in the Bashkirian reservoir. After a three-year break, which was bridged with a targeted well workover and rigless well intervention program to offset some of the field production decline, the Company started a two-well drilling program in December 2023 to be executed over 2023-2024.

In 2024, Nostrum plans to continue this workover and well intervention programme by targeting a limited number of reserves development wells along with production maintenance, and continue the drilling programme. This programme, together with the 44 existing producers, cover the estimated 2P reserves as at 31 December 2023. It should also be noted that there has been some decrease in volumes in undeveloped reservoirs associated with delays in the re-start of the drilling campaign.

Possible reserves of 8.2 mmboe as at 31 December 2023 (2022: 8.5 mmboe) are attributed to lower declines than the Proven and Probable cases in existing producers and 10 well interventions (3 WO, 5 sidetracks, 2 new wells).

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

Reserves by reservoir

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

Biyski-Afoninski North-East

2P reserves are estimated at 7.15 mmboe, down 2.75 mmboe compared to 2022-year end (9.9 mmboe) which includes 1.4 mmboe of production in 2023 and a 1.35 mmboe negative revision due to observed gas production performance in 2023.

Gas lift was introduced into 4 more wells in 2023 to maintain production with increasing water-gas ratio and a further 2 wells are planned in 2024, predominantly through low cost rigless interventions and using the expanded Gas lift system commissioned in July 2023.

Probable and Possible Developed volumes are attributed to existing producing wells, with lower declines interpreted respectively. No new drilling is planned in this reservoir. The 2019 Schlumberger study concluded that the potential of further infill drilling is limited, which corresponds with management's opinion.

Tournaisian North-East, West and South

The Tournaisian North-East has a total 2P of 8.5 mmboe at 2023-year end, representing a 1.3 mmboe decline year-on year, including 1.26 mmboe production and a 0.05 mmboe negative revision to reflect recent well performance.

Proven Undeveloped volumes are associated with one deepening and one sidetrack well in 2024-2025 whilst Probable Undeveloped Reserves are associated with one idle well workover in 2024, one sidetrack producer in 2026, one water-flood sidetrack in 2026 and two workover recompletions for the extension of the water-flood in 2025. Production maintenance workovers are planned in the reservoir in the years up to and including 2027.

Reserves continued

Table 1 – Nostrum Reserves, mmboe

	2023	2022	Change
Total PDP	15.1	19.0	-3.9
Total PUD/PDNP	1.2	1.2	–
Total 1P	**16.3**	**20.2**	**-3.9**
Total Probable	6.9	8.1	-1.2
Total 2P	**23.2**	**28.3**	**-5.1**
Possible	8.2	8.5	-0.3
Total 3P	**31.4**	**36.8**	**-5.4**

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

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

Fluid	Unit	Proven Producing (PDP)	Proven Non-Producing & Undeveloped (PDNP & PUD)	Total Proven (1P)	Probable (P2)	Total Proven plus Probable (2P)	Possible (P3)	Total Proven, Probable and Possible (3P)
Oil/condensate	barrels	6,754,782	909,411	**7,664,193**	3,471,879	**11,136,072**	4,469,489	**15,605,561**
Plant products (LPG)	barrels	1,711,341	87,922	**1,799,263**	647,198	**2,446,461**	785,976	**3,232,437**
Gas (after shrink)[1]	mmcf	35,232	1,228	**36,460**	14,919	**51,379**	15,576	**66,955**
Gas (after shrink)	boe	6,614,329	230,591	**6,844,920**	2,800,831	**9,645,750**	2,924,159	**12,569,909**
Total	**boe**	**15,080,452**	**1,227,924**	**16,308,376**	**6,919,907**	**23,228,283**	**8,179,624**	**31,407,907**

Table 3[2] – Comparison of reserves by reservoir 2023 versus 2022

	31 December 2023				31 December 2022				Change			
Reservoir	Proven, mmboe	Probable, mmboe	Possible, mmboe	3P, mmboe	Proven, mmboe	Probable, mmboe	Possible, mmboe	3P, mmboe	Proven, mmboe	Probable, mmboe	Possible, mmboe	3P, mmboe
Biyski/Afoninski NE	**6.1**	**1.0**	**0.8**	**7.9**	7.9	2.0	1.8	11.7	-1.8	-1.0	-1.0	-3.7
Tournaisian NE	**6.1**	**2.4**	**1.3**	**9.8**	7.3	2.5	1.4	11.2	-1.2	-0.1	-0.1	-1.4
Frasnian N	**0.4**	**1.1**	**2.5**	**4.0**	0.6	1.0	2.6	4.2	-0.2	0.1	-0.1	-0.2
Ardatovski NE	**1.5**	**1.6**	**0.1**	**3.2**	2.0	1.8	0.1	4.0	-0.5	-0.2	0.0	-0.8
Filippovski	**0.2**	**0.2**	**0.8**	**1.2**	0.2	0.2	0.8	1.2	0.0	0.0	0.0	0.0
Tournaisian South	**0.3**	**0.1**	**0.7**	**1.2**	0.3	0.1	0.7	1.1	0.0	0.1	0.0	0.1
Mullinski NE	**0.6**	**0.0**	**1.1**	**1.8**	0.6	0.0	0.4	1.0	0.0	0.0	0.7	0.7
Bashkirian NE & W	**0.5**	**0.2**	**0.0**	**0.7**	0.6	0.2	0.1	0.9	-0.1	0.0	0.0	-0.1
Tournaisian West	**0.3**	**0.1**	**0.0**	**0.4**	0.3	0.1	0.1	0.5	-0.1	0.0	0.0	-0.1
Mullinski South	**0.0**	**0.0**	**0.7**	**0.7**	0.0	0.0	0.4	0.4	0.0	0.0	0.2	0.2
Bobrikovski South	**0.1**	**0.1**	**0.0**	**0.2**	0.1	0.1	0.0	0.3	0.0	0.0	0.0	-0.1
Ardatovski S	**0.1**	**0.0**	**0.0**	**0.2**	0.2	0.0	0.0	0.2	0.0	0.0	0.0	-0.1
Mullinski North	**0.0**	**0.0**	**0.0**	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**16.3**	**6.9**	**8.2**	**31.4**	**20.2**	**8.1**	**8.5**	**36.8**	**-3.9**	**-1.2**	**-0.3**	**-5.4**

1. Not included in the total.
2. Some differences due to rounding.

Tournaisian West 2P is 0.34 mmboe despite 0.11 mmboe production as the well Ch-204 was connected to GL in the second half of 2023 showing stabilised production performance.

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

Ardatovski North-East and South

Proven Producing volumes are associated with three current producers. One Probable Undeveloped side-track well is planned for the Ardatovski North-East reservoir in 2026. No further reserves development is planned for the Ardatovski South reservoir, beyond the current producer.

Frasnian North

2P reserves are estimated at 1.51 mmboe at year end 2023, despite 0.21 mmboe of production in 2023; the better than expected well performance is reflected in the slight reserves increase by 0.08 mmboe of the existing producer Ch-40_1_. Probable Undeveloped reserves being attributed to well Ch- 41_1_1, with a drilling start in Q2 2024 and expected to be online before end of 2024.

The development plan still foresees three additional Possible Undeveloped side-tracks planned for 2025-2026, depending on the success of Ch-41_1_1, which the geological model is expected to confirm.

Mullinski North-East, North and South

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

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

Bashkirian North-East & West

PDP reserves remain for two wells produced via Electric Submersible Pumps (ESPs). One Probable Undeveloped new vertical well is proposed in the Bashkirian North-East from 2026.

Filippovski

Five low-cost workover recompletions (one Probable and four Possible) have been identified for the Filippovski reservoir. These are planned, subject to further technical and economic evaluation, to be carried out in 2025-2026.

Table 4 – Summary of the 31 December 2023 well programme supporting the reserves estimates compared to the previous year (excluding rigless interventions)

	31 December 2023				31 December 2022				
Reservoir	Proven wells	Probable wells	Possible wells	Total	Proven wells	Probable wells	Possible wells	Appraisal	Total
Biyski/Afoninski NE	–	–	–	–	1	–	–	–	1
Tournaisian NE – oil	2	2	–	4	2	1	–	–	3
Tournaisian NE – WI	1	3	–	4	–	3	–	–	3
Tournaisian South	–	–	1	1	–	–	1	–	1
Tournaisian West	–	–	–	–	–	–	–	–	–
Mullinski South	–	–	1	1	–	–	1	–	1
Mullinski North	–	–	–	–	–	–	–	–	–
Mullinski NE	1	–	2	3	1	–	2	–	3
Bashkirian NE & W	–	1	–	1	–	1	–	–	1
Ardatovski NE	–	1	–	1	–	1	–	–	1
Ardatovski S	–	–	–	–	–	–	–	–	–
Frasnian N	–	1	3	4	–	1	3	–	4
Filippovski	–	1	4	5	–	1	4	–	5
Bobrikovski South	–	1	–	1	–	–	–	–	–
Appraisal	–	–	–	–	–	–	–	–	
Total	**4**	**10**	**11**	**25**	**4**	**8**	**11**	**–**	**23**

Showcasing our infrastructure

1 **GTU 3: 2.5 BCMA**

2 **LPG Storage and loading**

3 **Power plant: 26mwh**

4 **GTU 1&2: 1.7 BCMA**

5 **Oil/Cond. storage**

6 **Oil Treatment unit (OTU)**

With the re-start of GTU 3, complementing the previous gas processing trains, we have built a world-class infrastructure processing hub that is currently under-utilised but with the potential to support the production and sale of billions of cubic meters of gas in north-western Kazakhstan for years to come.

Oil Treatment Facility

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

In 2023, 1.039 mmboe of oil and 0.692 mmboe of condensate was transferred through the pipeline. After the installation and commissioning of an additional gas lift compressor in 2023, a total of up to 950,000 cubic meters of recycled lift-gas per day has been compressed and made available to enhance oil production, with modifications to the existing system.

Raw Gas Treatment Facility

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

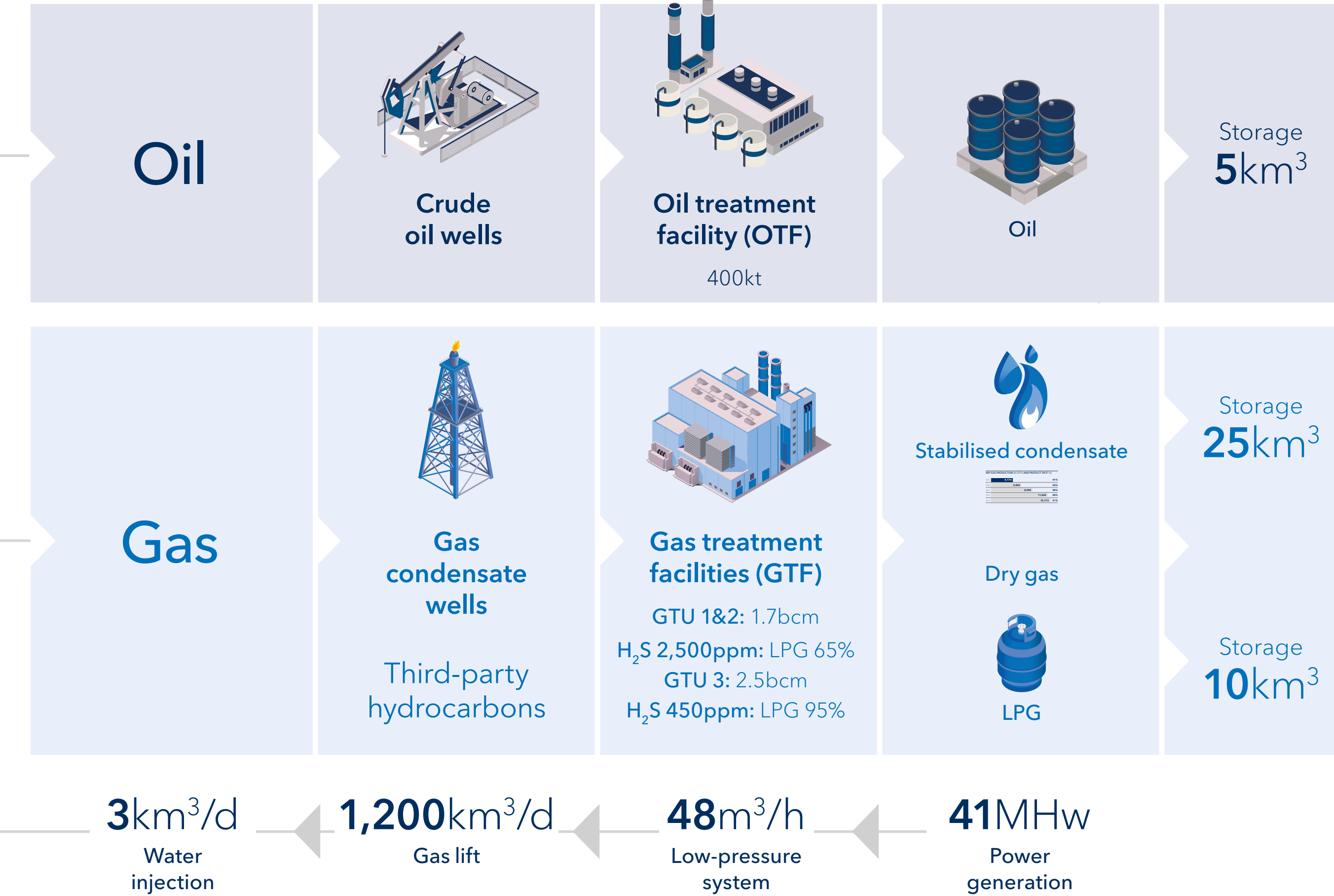
In mid-2023, GTU 3 was started again after the turbo expander re-installation, modifications on the hot oil system and installation of a gas re-circulation system ensuring sufficient feedstock. The 3rd train was used to process the raw gas for the remainder of 2023 and demonstrated functionality and efficiency with higher-than-expected LPG yields.

Low-pressure system

A low-pressure system has been installed to facilitate the reduction of the GTF inlet pressure from 42 to 8 bar, so as to prolong the run-life of wells, primarily gas-condensate. Installed capacity of gas compression is 48,000 standard cubic meters per hour in total with 19 wells flowing through the low-pressure system as of the end of 2023.

Gas lift system

In 2023 we upgraded the gas lift system by adding a 3rd gas lift compressor, doubling the capacity from 27,000 to 54,000 standard cubic meters per hour. Currently, the compressors are running at 40,000 standard cubic meters per hour, limited by total gas lift system constraints which require further de-bottlenecking.



Power generation plant

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

Storage facilities

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

Gas pipeline

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

Liquids pipeline

Nostrum has its own 120 km liquids pipeline that runs from the field to the Company's rail loading terminal in Beles (near Uralsk). The pipeline has a maximum daily throughput capacity of 3,500 t/d.

Rail Loading Terminal

Nostrum has its own automated rail loading terminal at Beles, located near the city of Uralsk, that receives all produced crude oil and condensate and has a daily capacity of 5,000 t/d.

KTO pipeline connection

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

Sulphur Recovery Unit and Incinerator

In 2023, modifications commenced on the Sulphur Recovery Unit to handle higher H2S levels, necessary for processing third-party gas like UOG. This enables H2S processing using either the direct oxidation or Claus process. These modifications are expected to be completed in 1Q 2024.

During 2023 facility inspection, serious cracks at various heights of the 62-meter incinerator chimney were identified, necessitating urgent repair. After evaluating several repair options, the only HSE acceptable method was building scaffolding. Expert consultation supported this methodology and design was approved. While installing the scaffolding at 33 meters, two damaged scaffolding poles led to a suspension of work. Support to continue the work was obtained with confirmation that the structure remains within the safe operating range that was assessed by an independent expert inspector in the first quarter of 2024.

Risk management

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

Risk management framework

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

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

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

In 2023, 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. The Board and Audit Committee are aware of the additional requirements related to the risk management and internal control framework as set out in the UK Corporate Governance Code 2024.

During 2023 the Group did not have a dedicated internal audit function, as was the case for the past few years where the Group has relied on third party audits and ad-hoc audits/process reviews performed by employees and overseen by management with results reported into the relevant Board committee. The Board and Audit Committee obtain assurance on the effectiveness of the internal control framework through: (a) upholding a regular, detailed and timely system of internal operational and financial reporting against key performance targets, historical trends and industry norms and the investigation of any material deviations or failures, (b) obtaining independent expert opinions on matters of importance, including any changes or disputes in the legal or regulatory environment, (c) visits to the company's place of operations in Kazakhstan and enquiries of local staff and management, (d) reinforcement of the internal system of Whistleblowing, (e) evaluating all material investment policies and proposals, and (f) seeking external professional advice on the company's risk register and Board assurance framework.

Following the end of 2023, the Board continues to monitor closely internal control over financial reporting and the related party identification and disclosure processes. More detailed information on the Whistleblowing Policy and Workforce representation can be found on pages 62-63.

Environmental, social and governance (ESG) matters

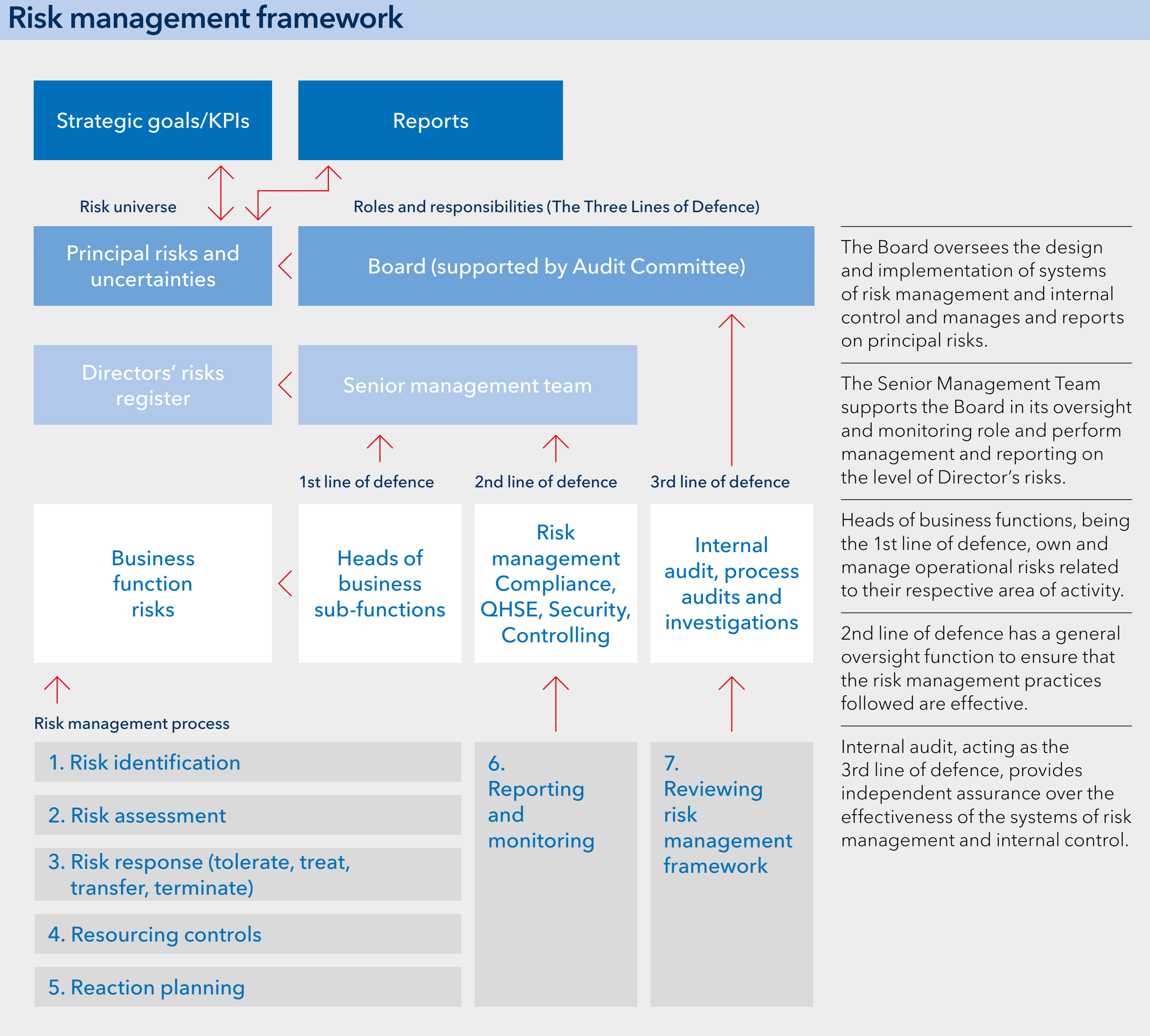
ESG matters form an integral part of the areas covered by the Group's systems of risk management and internal controls, and the Board recognises their significance and importance. Identified ESG risks and related responses can be seen within Operational, Climate Change and Other risks in the "Principal risks and uncertainties" disclosure on pages 34-38.

The Board receives appropriate information for managing such risks. Management is responsible for ensuring that systems of risk management and internal control are in place to effectively manage and monitor energy risks and other ESG matters. More detailed disclosure on the established policies and procedures in these areas can be found on pages 50-81.

Changes from prior-year risk assessment

In 2023, the principal risks and uncertainties managed and monitored by the Board and senior management included most of the risks for 2022 and for which the related risk assessments did not change significantly.

Risk management framework



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

The Senior Management Team supports the Board in its oversight and monitoring role and perform management and reporting on the level of Director's risks.

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

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

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

Principal risks and uncertainties

GRI 201-2, 205-1

Description of risk	Risk management
Strategic risks	
Geopolitical factors	
The Group's operations are exposed to risks associated with the political and business environment in Kazakhstan, being the Group's sole country of commercial operations, as well as its neighbouring countries. Nostrum has historically benefited from its geo-strategic position in the heart of an export corridor between Russia and markets to the west of the Caspian, however, the Group remains exposed to the risks of the ongoing economic and political impact on Russia of its actions in Ukraine, being reliant on its transport routes and ports. Ongoing severe sanctions and trade restrictions imposed by, among others, the US, UK and EU on Russia, have increased the economic and political uncertainty and may have a material adverse impact on the Group's business, results of operations, financial condition and prospects.	Nostrum's Senior Management Team is pro-actively engaged with key stakeholders among state authorities to address and resolve any potential issues at early stages. In addition, the Group endeavours to identify legislative changes at early stages before their introduction and to the extent possible participate in the relevant working groups engaged in development of such changes. To mitigate geopolitical, regional and customer risks, the Group continues to strengthen customer relationships through establishing long-term off-take agreements whilst also looking at possibilities to geographically diversify its customer portfolio. The Group has implemented robust internal controls and procedures to ensure compliance with international sanctions on Russian and Belarus individuals, organisations and supplies of goods and services, including the evaluation of counterparties and their banks, contract procedures, and liaising with external legal advisers. The Group regularly updates lists of all persons/entities and products sanctioned in order to ensure Nostrum does not enter into transactions with any sanctioned persons or entities.
Product price volatilities	
The Group's operations and financial performance are exposed to changes in the market prices for its products driven by external business and political factors, which are outside the Group's control. Oil and gas prices are subject to volatility due to a variety of factors beyond the Group's control. Factors affecting crude oil prices include supply and demand fundamentals, economic outlooks, production quotas set by OPEC and political events. Since the domestic selling price of dry gas is directly dependent on the price of crude oil and the price of oil is volatile, the Company could also face volatility in the price of dry gas. Also, the Group could be compelled by governmental authorities, purportedly acting based on RoK legislation, to sell its oil, condensate, LPG and gas domestically at prices determined by the RoK Government, which could be significantly lower than prices which the Group could otherwise achieve. Lower oil and gas prices may reduce the economic viability of the Group's operations and proposed operations and materially adversely affect its business, results of operations, financial condition and prospects. In particular, the Group's ability to produce economically from the Chinarevskoye Field or any prospective fields will be determined, in large part, by the difference between the revenue received for its products and the operating costs, taxation costs, royalties and costs incurred in transporting and selling those products.	The Group quarterly revisits the product price assumptions used in its short-term, medium-term and long-term financial models, and performs stress testing of such forecasts to fluctuations in product prices and these are monitored by senior management and the Board. The Group continues to take prudent actions to protect liquidity, including identifying reductions in operating costs, general and administrative, and selling and transportation costs that could be implemented without having a negative impact on production or operations in the going concern period. Senior management constantly monitors the Group's exposure to foreign currency exchange rate changes and makes plans for necessary measures. In addition, the Group maintains its relationships with multiple financial institutions should it need to implement commodity price hedging contracts. No such contracts were entered into in 2023.

Description of risk	Risk management
Filling the spare gas processing capacity	
The Chinarevskoye field is a mature declining asset with a proved and probable reserves base at a level that will produce volumes of hydrocarbons including raw gas sufficient to utilise less than 15 percent of capacity available at the Group's gas treatment facilities, which have a combined 4.2 billion cubic meters capacity per annum. At the end of 2023, Ural OG production came onstream from its Rozhkovskoye field, increasing the capacity utilisation to 30 percent. The plan is to increase even more with connecting additional wells from Ural OG. The agreement for the purchase of gas and processing of condensate from the Rozhkovskoye field is for a period of four years. The Company is therefore reliant on acquiring and developing nearby assets with significant resource potential and/or processing third party gas through its processing facilities to continue to produce free cash flows and build sufficient cash reserves to repay future indebtedness. The ability to negotiate and secure these strategic acquisitions is highly uncertain and the ability to fund the development of such projects, the costs of which may be substantial and require external funding, may not materialise. Oil and gas exploration and production activities are capital intensive and subject to financing limitations and inherent uncertainty in their outcome. Further, significant expenditure is required to establish the extent of oil and gas reserves through seismic re-processing and mapping, other surveys as well as drilling. Therefore, there can be no certainty that further commercial quantities of oil and gas will be discovered at Chinarevskoye or acquired by the Group to enable it to utilise the spare capacity in its treatment facilities.	From the end of 2019, the Board came to the conclusion that diversification of its sources of feed stock to the processing facilities would provide the Group with an opportunity to gain from expanding the use of available capacities, technological resources and human capital, and ultimately benefit from its under-utilised infrastructure. The GTU 3 plant was upgraded and made ready for receiving future gas. The Sulphur Recovery Unit upgrade will be completed by May 2024 allowing treatment of different concentrations of H2S. The Group continues to actively engage in discussions with other third parties interested in supplying raw gas to completely fill its spare processing capacity. In July 2023, Nostrum acquired an 80% interest in Positive Invest LLP, which holds the subsoil use right to the Stepnoy Leopard Fields in the West Kazakhstan region for US$20m. Management estimates its recoverable volumes between 50 mmboe and 150 mmboe which are considered to be contingent resources. In September 2023 the Company commenced appraisal campaign at the Stepnoy Leopard fields to re-enter two existing wells in the Teplovskoye reservoir to take representative fluid samples and conduct extended well testing. Also, the Group has a number of additional area-wide opportunities under review that may serve to strengthen the Group's upstream and midstream portfolio in the coming years.

Operational risks

Description of risk	Risk management
Oil and gas reserves and production	
Estimating the value and quantity of economically recoverable oil and natural gas reserves and resources, and consequently the rates of production, necessarily depend upon a number of variables and assumptions, such as ultimate reserves recovery, interpretation of geological and geophysical data, marketability of oil and gas, future product prices, operating costs, development and production costs and workover and remedial costs, all of which may vary from actual results, which would affect the Group's financial performance and achievement of strategic objectives. The re-classifications of significant amounts of reserves from 2P to contingent resources in 2020-2021 were the result of crystallising of such risks. Even if the Group is able to discover or acquire commercial quantities of oil and gas in the future, there can be no assurance that these will be commercially developed. Appraisal and development activities involving the drilling of wells across a field may be unpredictable and may not result in the outcome planned, targeted or predicted, as only by extensive testing can the properties of an entire field be more fully understood. Finally, given that the Chinarevskoye reservoir is a mature and declining asset, the Group has been actively performing well workover and interventions to reduce the rate of decline of the reservoirs. In addition the Group has also started its drilling campaign in December 2023. The initial campaign is for drilling 2 wells (301 deepening and 41 sidetrack) as part of the SA20 obligations. Such activities, as well as construction, operation and maintenance of surface facilities, are subject to various risks, including the availability of adequate services, technologies and expertise, which may adversely affect the fulfillment of the Group's strategic objectives.	The Group has a department of geologists and reservoir engineers who perform periodic assessments of its oil and gas reserves in accordance with international standards on reserve estimations and prepare production forecasting using advanced exploration risk and resource assessment systems. The results of the assessments are audited periodically by the Group's independent reserves consultant, Ryder Scott. For drilling and well workover activities, the Group engages skilled personnel and leading service suppliers, as well as employing internationally accredited operations and cost monitoring systems, based on which management oversees the work progress. The Group continued its well workover and intervention programme in 2023 to minimise the production decline and this will be continued in 2024 as the field gets older and equipment requiring more regular maintenance. The gas lift expansion project, requiring an additional compressor to increase lift gas availability for both oil and gas condensate wells was successfully completed during 2023 and more than doubled the capacity to support the producing oil and gas condensate wells, accelerating production. Maintenance of wells and surface facilities is scheduled in advance, in accordance with technical requirements, and all necessary preparations are performed in a timely manner ensuring a high quality of work. In addition, the Group has emergency response and disaster recovery plans in place and periodically conducts necessary training and testing procedures.

Principal risks and uncertainties continued

Description of risk	Risk management
Cybersecurity risks	
Nostrum may be vulnerable to the unauthorised or inappropriate access to data, or the unlawful use, disclosure, disruption, deletion, corruption, modification, inspection, recording, or devaluation of information. Such cybersecurity failures may significantly adversely affect the Group's operations and financial results through disruptions, shutdowns and delays in production and other activities.	The Group uses a number of dashboards such as MS Secure and MS Compliance, which monitor security and compliance, and also help to identify areas where security might be enhanced. At the start of employment each new employee is briefed on the Group's Information Security Policy and signs a confidentiality agreement. All mailboxes and data are placed on Microsoft servers with appropriate levels of protection. Passwords have complexity requirement and double authorisation has been introduced for most users. All data traffic, servers and computers are subject to scanning and protection by anti-virus software. Physical access to data storage is restricted to authorised personnel.
Environmental, Social and Governance risks	
Risks of incidents, including risk of explosion	
The Group's operations are subject to hazards and risks common in its industry, including encountering unusual or unexpected rock formations or geological pressures, fires, explosions or power shortages, equipment failures or accidents, premature declines in reservoirs, blowouts, uncontrollable flows of oil, gas or well fluids, or water cut levels, pollution and other environmental risks. Failure to prevent or adequately mitigate these hazards can have a broad range of results, including, but not limited to, injury of employees or local residents, a partial or total shutdown of operations, significant damage to equipment, suspension or withdrawal of licenses and relevant sanctions. Any of the above could materially and adversely affect the Group's business, results of operations, financial condition and prospects. It should also be noted that the legal framework for operational safety is not yet fully developed in Kazakhstan and given the changing nature of environmental regulations, there is a risk that the Group will not be in full compliance with all such regulations at all times.	The Group's QHSE policies are periodically revised to ensure compliance with changes and new requirements in this area. Periodic training on the requirements of policies and regulations is held for employees. Nostrum's operations are based on the five QHSE pillars: HSE leadership; rigorous incident investigation; process safety-critical elements identified and maintained; contractor HSE management; and environment and climate change. Monthly QHSE reports are issued to communicate HSE performance. Management KPIs include lost time injury frequency, road traffic injury frequency, total recordable injury frequency and numbers of Hazard Observation Cards submitted as well as managing reduction of GHG emissions from our operations. Through the system of Hazard Observation Cards, employees and contractors report any unsafe conditions observed in the workplace, which helps to ensure their awareness of safe working conditions at all times. All incidents are investigated, their causes identified and corrective action plans developed. There is a classification of equipment as critical or non-critical. Safety critical elements are devices, equipment or systems that are required to ensure process conditions are maintained within safe operating limits, or the purpose of which is to prevent malfunctioning. For example, devices are installed at well-sites to automatically close the wells in the case of shutdown, preventing blow-down by flaring. Contractor HSE performance is managed by identifying and mitigating risks, setting HSE performance criteria, monitoring, auditing and reporting HSE performance, and subsequently using this information for continuous development and feedback into the process of contractor selection.
Governance risks	
Nostrum must adhere to UK corporate governance and reporting requirements. Governance risk factors are usually related to board composition and structure, executive remuneration, internal controls and risk management framework, corporate policies and procedures, risks of corruption and bribery, and others. Lack of adequate controls and policies, or a failure of those to operate effectively, could lead to loss of company resources, non-compliance with regulations, and respective significant fines, penalties, as well as reputational damage.	As described on pages 90-92, the Group has established a robust governance framework which covers all aspects of the Group's activities through respective Board committees and functional teams under senior management. Although the composition of the Board and its committees was not ideal during the reporting period due to the transition period, compensating controls and procedures were put in place such as additional scrutiny over the Board decisions and more frequent Board meetings. The corporate governance framework is supported by an extensive range of policies and procedures covering division of responsibilities, bribery, corruption and whistle-blowing, anti-facilitation of tax evasion, as described on page 92 and various other policies and practices related to social and environmental matters described across other section of the report. Such policies and procedures are designed and implemented to ensure that all required compliance obligations are met.

Description of risk	Risk management

Environmental risks

The Group's operations are subject to environmental risks inherent in oil and gas exploration and production industries. Examples of environmental risks include risks stemming from more intense extreme weather events, rising energy intensity in the oil and gas industry, the changing regulatory landscape, the risk of fugitive emissions and climate change policies driving down demand.

Compliance with environmental regulations may make it necessary for the Group, at substantial cost, to undertake measures in connection with the storage, handling, transportation, treatment or disposal of hazardous materials and waste and the remediation of contamination.

In addition, the legal framework for environmental protection and operational safety is not yet fully developed in Kazakhstan. Stricter environmental requirements may be adopted in the near future, and the environmental authorities may move towards a stricter interpretation of existing legislation. The costs associated with compliance with such regulations could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Risk management

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

The Group's operations continuously put effort and commitment into improving energy efficiency, reducing flaring, venting and leaks, and monitoring and effectively managing emissions and waste. Also, the Group has recently started recycling utilised water at the campsite.

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

The HSE and ESG Committees currently have responsibility for Environmental related matters.

In 2023 Company developed Energy management policy and Energy Efficiency Improvement Plan, HSE policy and QHSE Management System have been revised as well.

Climate change risks

Climate change

Continued attention to climate change issues by governments, investors and customers and relevant developments in laws and regulations, investor and customer preferences may have significant adverse impact on the Group's business.

New requirements, laws, policies and regulations may result in substantial additional expenditures on capital construction, compliance, operations and maintenance. The level of expenditure required to comply with these laws and regulations is uncertain.

In addition, any perceived weakness in environment related policies, procedures and efforts, sub-optimal assessment by an ESG rating agency and comparison to peers, might adversely impact the Group's access to capital markets, reduce ability to raise additional financing, increase financing costs and have a negative impact on the Group's business plans and financial performance.

Risk management

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

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

Climate change is on the Board's agenda. The Senior Management Team actively evaluates opportunities to further adapt and implement cost- effective mitigation measures.

Compliance risks

Subsoil use agreements

As the Group performs exploration, development and production activities in accordance with related licenses for the oil and gas fields, there are related risks that the Group might not be able to obtain extensions or agree amendments to the field development plan, when necessary, risks of non-compliance with the licence requirements owing to ambiguities, risks of alteration of the licence terms by the authorities and others. These risks may result in the Group's inability to fulfil scheduled activities; fines, penalties, suspension or termination of licenses by authorities; and, respectively, significant and adverse impact on the Group's business, financial performance and prospects.

Risk management

The Group has procedures and processes in place for the timely application for extension of licence periods or for amendments to the field development plan, when it is considered appropriate however, uncertainty remains in relation to timing and results of decisions of authorities. The Group maintains an open dialogue with RoK governmental authorities regarding its subsoil use agreement. In the event of non-compliance with a provision of the agreement, the Group endeavours to have such terms modified and pays any penalties and fines that may apply.

Compliance with laws and regulations

The Group carries out its activities in a number of jurisdictions and, therefore, must comply with a range of laws and regulations, which exposes the Group to the respective risks of non-compliance. In addition, the Group must comply with the Listing Rules, the Disclosure Guidance and Transparency Rules, FRC guidance and requirements, as well as requirements in connection with its restructured debt, in light of its publicly traded shares and notes. Hence, there are non-compliance risks, including reputational, litigation and government sanction risks, to which the Group is exposed.

The impact of these risks may vary in magnitude and include regulatory actions, fines and penalties by authorities, diversion of management time, and may have an overall adverse effect on the Group's performance and activities towards achieving its strategic objectives.

Risk management

For the purpose of effective corporate governance and compliance with laws, regulations and rules, the Group has adopted a number of policies and procedures, as mentioned above. The Group also performs periodic updates based on the changes in regulatory requirements and carries out related communications and training for employees.

Necessary communication lines are established with authorities to ensure timely and adequate inbound and outbound flow of information. Management and the Board monitor significant matters related to legal and compliance matters in order to act promptly in response to any actions. In addition, management maintains an open dialogue with its sponsors in relation to any matter related to non-compliance with Listing Rules and other regulatory requirements.

Principal risks and uncertainties continued

Description of risk	Risk management
Financial risks	
Liquidity risks	
Forecasting to maintain an adequate liquidity position is subject to the risk that inaccurate information or assumptions are used for forecasts, and to risks of counter-party delay or a counter-party's failure to meet their contractual obligations owing to severe market conditions. Moreover, the Group's current and planned expenditures are subject to unexpected problems, costs and delays, and the economic results and actual costs may differ significantly from the Group's current estimates. Prices for the materials and services the Group depends on to conduct and expand its business may increase to levels that no longer enable the Group to operate profitably. All the above factors in combination with a significant negative movement in world energy prices could result in the Group's liquidity position becoming more strained than the severe but plausible downside scenario in the Going Concern assessment.	Management and the Board constantly monitor the Group's actual and forecast liquidity position to ensure that sufficient funds are available to meet any commitments as they arise. In addition, management and the Board assess key financial ratios, sensitivity tests of its liquidity position for changes in crude oil price, production volumes and timing of completion of various ongoing projects, to understand the resilience of the business and to be prepared for taking necessary remedies. Further efforts are made on cost optimisation to reduce capital expenditures, operating costs and general and administration costs.
Refinancing risks	
The Group's Notes will mature in June 2026 and, in the absence of support from any of the strategic initiatives described on pages 18-19, there is a risk that the Group will require partial or full refinancing of SSNs, and repay SUNs in specie through the issuance of new shares (further diluting the existing ordinary shareholders at the time) or have their maturity extended through another refinancing or restructuring exercise.	The Board notes that uncertainty remains related to the Group's ability to repay/meet its liabilities, including the repayment of its Notes due in 2026 and the risk that the Group may require refinancing in 2026. Relevant considerations were made as part of the viability assessment as described on pages 39-40.
Tax risks and uncertainties	
The uncertainty of application, including retroactive application, of tax laws and the evolution of tax laws in Kazakhstan create risks related to additional tax liabilities from assessments and risks related to the recoverability of tax assets. Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional, and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe and where the tax authorities disagree with the positions taken by the Group the financial outcomes could be material. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Tax risks and uncertainties may adversely affect the Group's profitability, liquidity and planned growth.	The Group has policies and procedures related to various tax assessments and positions, as well as other control activities to ensure the timely assessment and filing of tax returns, payment of tax obligations and recovery of tax assets. The Group regularly challenges, either with the RoK tax authorities or through the RoK courts, tax assessments that it believes are inapplicable to it, pursuant to the terms of either its subsoil use agreements or applicable law.
Other risks	
Other significant risks, including emerging risks	
Other risks are those that are not specifically identified within any of the principal risks and uncertainties but may be related to several such areas or be organisation wide. These include risks related to: • Fraudulent activities; • The Group's supply chains; • Accounting and reporting management systems; or • The availability of human resources. They may also significantly impact the Group's financial performance, reputation and achievement of its strategic objectives.	The Group has an Anti-Bribery and Corruption Policy, and provisions relating to the same are included in the Group's Code of Conduct. Related training and updates are periodically provided for employees in relation to their obligations in this area. The Group has a wide range of internal controls over its supply chains and accounting and reporting processes, including policies, procedures, segregation of duties for authorisation of matters, periodic training for employees and so on. The Contracts Board was established to meet weekly to review and approve the placement of contracts or expenditures. Senior management and the Board stay alert to emerging challenges related to various management systems and related governance matters and, when necessary, initiate change initiatives to ensure enhancement and integration of certain management systems.

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

Viability statement

We assessed the future medium-term viability of the Group over a period longer than 12 months in accordance with provision 31 of the UK Corporate Governance Code 2018. The viability assessment is performed by stress-testing a medium-term financial model to the principal risks and uncertainties (described on pages 34-38) and their combinations. The key features of the financial model include the following elements of corporate planning and modelling process:

- Medium-term development planning based on three-to-four-year financial projections, using management's internal estimate of forecast production from the Chinarevskoye field, processing hydrocarbons from Ural O&G and development of Stepnoy Leopard fields. No other third-party volumes or strategic initiative projects have been included in the viability assessment as there is currently no certainty that they will arrive within the assessment period; and
- Annual budgeting and forecasting process incorporating preparation of an annual budget for the following year, which is reviewed and approved by the Board, and followed up with quarterly forecasts, which are monitored by senior management and the Board.

Viability time horizon

Considering the uncertainties inherent to the Group's operations as well as the medium-term development planning mentioned above, the Board concluded that a viability assessment over a three-year period to 30 June 2027 provides a robust and realistic evaluation of the Group's future performance. With this approach the Board continues to believe that the assessment:

- improves the optimal balance between a reasonable degree of confidence and an appropriate longer-term outlook;
- is aligned with medium-term development planning mentioned above;
- is consistent with other current and/or recent communications (e.g. production forecasts etc.); and
- is appropriate for the current stage of development of the Group and gives an opportunity to reasonably assess sensitivity of the Group's performance to principal risks during the period where the Group looks to work on implementing its major strategic objectives (described on pages 18-19).

Viability assessment

The three-year financial model used as a base-case scenario for viability assessment assumed following:

- Production forecasts reflecting management's internal view of Chinarevskoye production under a no further field activity scenario. This production forecast is more conservative than that used in the impairment testing process (proved and probable reserves base used) as the viability assessment basis is more akin to the proven developed producing reserves base as outlined in the Ryder Scott reserves audit as of 31 December 2022;
- Inclusion of throughput processing volumes of hydrocarbons from Ural O&G based on management's internal view, and no additional utilisation of the spare capacity of Gas Treatment Facilities despite being a key strategic focus of management for the medium-term horizon; and
- Product price assumptions based on a Brent oil price of US$70/bbl throughout the assessment horizon. This is within the range of average broker consensus forecasts as at 31 December 2023.

For the purpose of sensitivity testing, several principal risks and uncertainties were selected (from those described on pages 34-38), which were deemed to have the highest potential financial impact on the Group's future performance, taking into account prior period assessments. The effect of those principal risks and uncertainties or their combination on the base-case scenario were analysed with the assumptions as described in the table below.

The Directors also considered severe but plausible scenarios where a combination of two or three of the risks shown in the table below occur together.

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

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

Viability statement continued

Climate-related financial disclosure

As part of the viability assessment the Directors also performed resilience analysis as per the requirements of the Taskforce on Climate-related Financial Disclosure ("TCFD"). TCFD requires the Directors to describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario (TCFD Strategy (c)).

The Directors chose the Net Zero Emission by 2050 Scenario ("NZE Scenario") developed by the International Energy Agency as the reference point in performing the resilience test and also took into account Kazakhstan's Strategy on Achieving Carbon Neutrality by 2060. NZE Scenario is aimed at an emissions trajectory consistent with keeping the temperature rise in 2100 below 1.5 °C (with at least a 50% probability).

Two key assumptions were taken from NZE Scenario for the purpose of severe but plausible development scenario for stress-testing the company's resilience: 1) oil prices projections decreasing to US$42 per barrel by 2030; and 2) carbon price forecasted at US$25 per tonne of CO_2 by 2030. Please refer to page 79 for further details.

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

Longer term viability

The Directors also considered the viability of the business beyond the medium term. The Notes issued by the Group will mature in June 2026 and, under the base case scenario in the current viability assessment model, the Directors have a reasonable expectation that the Group will be able to partially repay the SSNs (US$250m) in 2026, and will require refinancing of the remaining portion of these notes, and SUNs are expected to be either repaid in specie through the issuance of new shares (further diluting the existing ordinary shareholders at the time) or have their maturity extended through another refinancing or restructuring exercise.

The implementation of the major strategic initiatives described on pages 10-13 will inevitably support future long-term viability of the Group, and the Directors note that this may reduce the possible requirement for refinancing of a smaller portion of the SSN at maturity in 2026 under the base case scenario, as noted above.

Viability statement conclusion

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

- the Group's viability conclusion is not exposed to plausible downside risks arising in isolation relating to the Group's strategy, operations, liquidity or compliance;
- in the event that a combination of any three of the four considered plausible downside scenarios arise, the Group's may require additional funding to cover the capital expenditures required for development of Stepnoy Leopard fields;
- It is not plausible that all four risks would arise together, since, in the event of the strategic, operational and compliance risks manifesting, the Group would take mitigating actions to reduce costs and manage liquidity and so the likelihood of an increase in costs occurring concurrently with the other three scenarios is considered remote; and
- Absent support from any of the strategic initiatives described on pages 18-19, the Group may need to partially refinance the SSNs, and either repay the SUNs through issuance of equity or extend their maturity through refinancing or restructuring.

Based on these assessments and other matters considered by the Board, the Directors confirm that they have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due through the three-year viability assessment period ending 30 June 2027, subject to possible necessity for partial refinancing or restructuring of its debt.

Financial review

GRI 207-4

Results of operations for the years ended 31 December 2023 and 2022

The table below sets forth the line items of the Group's consolidated statement of comprehensive income for the years ended 31 December 2023 and 2022 in US Dollars and as a percentage of revenue.

	For the year ended 31 December			
In thousands of US Dollars	2023	% of revenue	2022	% of revenue
Revenue	**119,629**	100.0%	199,717	100.0%
Cost of sales	**(77,628)**	64.9%	(84,053)	42.1%
Gross profit	**42,001**	35.1%	115,664	57.9%
General and administrative expenses	**(13,807)**	11.5%	(12,076)	6.0%
Selling and transportation expenses	**(12,403)**	10.4%	(19,950)	10.0%
Taxes other than income tax	**(14,187)**	11.9%	(19,830)	9.9%
Finance costs	**(102,826)**	86.0%	(123,138)	61.7%
Employee share options – fair value adjustment	**25**	0.0%	38	0.0%
Fair value adjustment on recognition of debt instruments	**174,426**	145.8%	–	0.0%
Foreign exchange (loss)/gain, net	**(954)**	0.8%	254	0.1%
Gain on debt-to-equity exchange	**769,611**	643.3%	–	0.0%
Interest income	**2,691**	2.2%	272	0.1%
Other income	**6,430**	5.4%	6,806	3.4%
Other expenses	**(14,675)**	13.2%	(29,821)	14.9%
Income/(loss) before income tax	**836,332**	698.2%	(81,781)	40.9%
Income tax expense	**(4,674)**	3.0%	(34,664)	17.4%
Profit/(loss) for the year	**831,658**	695.2%	(116,445)	58.3%
Currency translation difference	**62**	0.1%	(490)	0.2%
Total comprehensive income/ (loss) for the year	**831,720**	695.2%	(116,935)	58.6%

General note

For the year ended 31 December 2023 (the "reporting period"), the Group recorded a total comprehensive income of US$831.7 million, as opposed to US$116.9 million total comprehensive loss in 2022. The substantial amounts of gains followed the completion of the Restructuring, and included US$769.6 million gain on debt-to-equity exchange and US$174.4 million fair value adjustment on the recognition of SSNs and SUNs. Further details on the Restructuring are described on pages 48-49 of this report.

Other than one-off items described above, there were also considerable movements in operational items of the income statement. Notable 40.1% decrease in revenues was a combination of 18.2% decrease in the average Brent crude oil price and a continuing decline in production of over 20% from the maturing Chinarevskoye field, which was slightly offset by Gaslift expansion in mid-2023. Reductions in cost of sales (by US$6.5 million), selling and transportation expenses (by US$7.6 million) and taxes other than income tax (by US$5.6 million). These reductions in costs were accompanied by a decrease in finance costs (by US$20.3 million), which was attributed to the restructuring of the Notes 2022 and Notes 2025.

Financial review continued

Revenue

The following table shows details of the Group's revenues by products with relevant variances:

In thousands of US Dollars	For the year ended 31 December 2023	2022	Variance	Variance, %
Revenue from oil and gas condensate sales	**101,463**	158,107	(56,644)	(35.8%)
Revenue from gas and LPG sales	**18,009**	41,578	(23,569)	(56.7%)
Revenue from third-party hydrocarbon processing	**156**	–	156	100.0%
Revenue from sulphur sales	**1**	32	(31)	(96.9%)
Total revenue	**119,629**	199,717	(80,088)	(40.1%)
Average Brent crude oil price (US$/bbl)	**82.5**	100.9	(18.4)	(18.2%)

The following table shows the Group's revenue breakdown by export and domestic sales:

In thousands of US Dollar	For the year ended 31 December 2023	2022	Variance	Variance, %
Revenue from export sales	**105,170**	177,173	(72,003)	(40.6%)
Revenue from domestic sales	**14,459**	22,544	(8,085)	(35.9%)
Total revenue	**119,629**	199,717	(80,088)	(40.1%)

The Group's sales volumes by product categories as well as total production volumes:

In boe	For the year ended 31 December 2023	2022	Variance	Variance, %
Oil and gas condensate sales volumes	**1,704,773**	2,252,853	(548,080)	(24.3%)
Gas and LPG sales volumes	**1,534,256**	2,318,291	(784,035)	(33.8%)
Total sales volumes	**3,239,029**	4,571,144	(1,332,115)	(29.1%)
Production volumes	**3,683,152**	4,818,015	(1,134,863)	(23.6%)

The decrease in Group's revenue by 40.1% in 2023 was largely due to 18.2% lower average Brent crude oil price (US$100.9/bbl in 2022 vs US$82.5/bbl in 2023), which had a substantial impact on oil and condensate revenues as shown in the table above. Another notable driver of decrease in revenues was decline in production volumes (as shown in the table above), largely due to the natural depletion of the Chinarevskoye field. However, it should be noted that the successful start-up of a new compressor has doubled the Gaslift capacity, playing a crucial role in slowing the production decline from mid-2023.

The new line in the Group's revenue breakdown showing US$156 thousand for 2023, marks the first-ever processing of third-party hydrocarbons and reflects tolling fees earned from treatment of condensate from Ural O&G, while relevant revenues from sales of gas and LPG are combined with revenues from Chinarevskoye field production. This new revenue stream represents the initial phase of collaboration during the last 10 days of 2023, with further wells commencements expected in late 2024. Such diversification of Group activities into processing third-party feedstock signifies a strategic milestone in expanding the utilisation of its gas treatment facilities.

Cost of sales

In thousands of US Dollars	For the year ended 31 December 2023	2022	Variance	Variance, %
Depreciation, depletion and amortisation	**40,321**	51,682	(11,361)	(22.0%)
Payroll and related taxes	**16,741**	14,179	2,562	18.1%
Repair, maintenance and other services	**6,558**	6,662	(104)	(1.6%)
Materials and supplies	**4,922**	4,333	589	13.6%
Transportation services	**2,505**	2,285	220	9.6%
Well repair and maintenance costs	**5,027**	3,122	1,905	61.0%
Environmental levies	**138**	79	59	74.7%
Change in stock	**691**	1,191	(500)	(42.0%)
Other	**725**	520	205	39.4%
Total	**77,628**	84,053	(6,425)	(7.6%)

Cost of sales for the reporting period ended 31 December 2023 decreased by 7.6% to US$77.6 million (2022: US$84.1 million). However, on a per barrel of oil equivalent (boe) basis, cost of sales rose to US$24.0 from US$18.4 in 2022, and excluding depreciation, the cost per barrel increased to US$11.5 from US$7.1.

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

Depreciation, depletion, and amortisation costs decreased by 22.0% to US$40.3 million for the reporting period (2022: US$51.7 million). This decrease is reflective of the depletion rate for oil and gas working assets which was 21.52% in 2023, slightly lower than the 21.73% in 2022. The reduction in the depletion expense is associated with the decreased depreciable asset base, while the depletion rate was almost on the same level.

Well repair and maintenance costs increased substantially by 61.0% to US$5.0 million (2022: US$3.1 million), reflecting the Group's intensified maintenance efforts to sustain well productivity.

Materials and supplies expenses increased by 13.6% to US$4.9 million (2022: US$4.3 million). This increase is primarily due to the expansion of the well maintenance program, the commissioning of the Gas Treatment Unit 3 (GTU-3), and the expansion of the gas lift system. These developments have led to an uptick in material costs, which has occurred despite the overall reduction in production volumes.

Repair, maintenance, and other services slightly decreased by 1.6% to US$6.5 million (2022: US$6.6 million), which includes costs associated with the upkeep of the facilities and the procurement of spare parts and materials.

Payroll and related taxes increased by 18.1% to US$16.7 million (2022: US$14.2 million), influenced primarily by salary indexation as well as foreign exchange rate changes.

Transportation services increased by 9.6% to US$2.5 million (2022: US$2.3 million), due to lower production levels and cost optimisation initiatives.

Change in stock had a positive adjustment of US$691 thousand, reflecting the inventory changes for the year, in contrast to a larger positive adjustment in the prior period.

General and administrative expenses

In thousands of US Dollars	For the year ended 31 December 2023	2022	Variance	Variance, %
Payroll and related taxes	**7,622**	6,634	988	14.9%
Professional services	**4,182**	3,556	626	17.6%
Insurance fees	**427**	577	(150)	(26.0%)
Business travel	**568**	282	286	101.4%
Short-term leases	**109**	172	(63)	(36.6%)
Communication	**159**	180	(21)	(11.7%)
Depreciation and amortisation	**188**	153	35	22.9%
Materials and supplies	**166**	182	(16)	(8.8%)
Bank charges	**29**	47	(18)	(38.3%)
Other	**357**	293	64	21.8%
Total	**13,807**	12,076	1,731	14.3%

General and administrative expenses slightly increased by 14.3% to US$13.8 million for the reporting period (2022: US$12.1 million). This was primarily due to a 14.9% increase in payroll and related taxes from US$6.6 million to US$7.6 million and a 17.6% increase in professional services from US$3.6 million to US$4.2 million. These were partly counterbalanced by a 26.0% reduction in insurance fees, which decreased to US$0.4 million (2022: US$0.6 million). Business travel costs notably increased by 101.4% to US$0.6 million (2022: US$0.3 million), reflecting the increased activity of the Group.

Selling and transportation expenses

In thousands of US Dollars	For the year ended 31 December 2023	2022	Variance	Variance, %
Transportation costs	**4,914**	8,473	(3,559)	(42.0%)
Loading and storage costs	**4,091**	8,094	(4,003)	(49.5%)
Payroll and related taxes	**1,501**	1,375	126	9.2%
Other	**1,897**	2,008	(111)	(5.5%)
Total	**12,403**	19,950	(7,547)	(37.8%)

Selling and transportation expenses
Selling and transportation expenses for the year ended 31 December 2023 decreased by 37.8% to US$12.4 million (2022: US$19.9 million). The decrease was particularly visible in transportation costs going down by 42.0% to US$4.9 million, and loading and storage costs, which saw a 49.5% decrease to US$4.1 million. These reductions were largely a result of the decrease in volumes sold and the changes in contract terms.

Taxes other than income tax

In thousands of US Dollars	For the year ended 31 December 2023	2022	Variance	Variance, %
Export customs duty	**8,154**	10,014	(1,860)	(18.6%)
Royalties	**4,841**	8,116	(3,275)	(40.4%)
Government profit share	**1,169**	1,692	(523)	(30.9%)
Other taxes	**23**	8	15	187.5%
Total	**14,187**	19,830	(5,643)	(28.5%)

Export customs duty for the year ended 31 December 2023 decreased by 18.6% to US$8.2 million (2022: US$10.0 million). This reduction is directly correlated with the drop in oil prices over the year, combined with a decrease in production, both of which are primary determinants of customs duty calculations.

Royalties were significantly lower by 40.4%, totalling US$4.8 million (2022: US$8.1 million), a result of the dual impact of declining market prices and reduced production volumes.

Government profit share followed this downward trend, decreasing by 30.9% to US$1.2 million (2022: US$1.7 million), aligning with the overall lower revenue from hydrocarbon production.

The combined effect of these factors led to a total tax expense, excluding income tax, of US$14.2 million, marking a 28.5% decrease from the 2022 figure of US$19.8 million.

Financial review continued

Finance costs

In thousands of US Dollars	For the year ended 31 December 2023	2022	Variance	Variance, %
Interest expense on borrowings	**95,226**	105,411	(10,185)	(9.7%)
Other finance costs	**5,973**	16,986	(11,013)	(64.8%)
Unwinding of discount on amounts due to Government of Kazakhstan	**654**	470	184	39.1%
Unwinding of discount on abandonment and site restoration provision	**973**	271	702	259.0%
Total	**102,826**	123,138	(20,312)	(16.5%)

Finance costs for the reporting period ended 31 December 2023 decreased to US$102.9 million, which is was a decrease of 16.5% from US$123.1 million in the previous year. This was largely driven by 9.7% decrease in interest expense on borrowings to US$95.2 million, which is attributed to the reduction in the balance of borrowings but was partially offset by higher effective interest rate on SUNs and SSNs relative to the effective interest rate on the 2022 Notes and 2025 Notes. For further information please refer to Note 14 in the consolidated financial statements of the Group.

Other finance costs decreased by 64.8% to US$5.9 million, which in the prior year included substantial fees incurred by the Group in relation to the restructuring process.

The unwinding of discount on amounts due to the Government of Kazakhstan and on abandonment and site restoration provision increased by 39.1% and 259.0%, respectively, reflecting the relevant updates of discount rates.

Other expenses

Other expenses for the reporting period ending 31 December 2023 significantly decreased to US$14.7 million (2022: US$29.8 million). This substantial reduction of approximately 50.8% is primarily due to one-off US$13 million tax penalties and fines which were incurred in 2022, while there were no such significant expenses in reporting period of 2023.

Income tax

Income tax expense for the year ended 31 December 2023 was US$4.7 million, a significant reduction from the US$34.7 million recorded in the previous year. This decrease of US$30.0 million is partly due to the absence of the prior year's additional accrual of US$12.5 million, which was recognised following tax audit and reassessments for earlier years. The decline in income tax expense also reflects changes in deferred tax as a result of change in the tax base of property, plant, and equipment relative to the IFRS base, influenced by different depreciation rates and methodologies as well as the Tenge's devaluation against the US Dollar.

Liquidity and capital resources

During the period under review, Nostrum's principal source of funds was cash from operations. Since the start of the negotiations on Restructuring, the focus of the Group was on preservation of cash by optimising the spend on capital expenditures and working capital requirements. After the completion of the restructuring the Group continued tight cost control with the goal to maintain positive cash flows from operations, and started allocating available cash reserves into the growth opportunities, which have the potential to create value and increase stakeholder returns.

Cash Flows

The following table sets forth the Group's consolidated cash flow statement data for 2023 and the prior year:

In thousands of US Dollars	For the year ended 31 December 2023	2022
Net cash flows from operating activities	**(2,221)**	102,204
Net cash used in investing activities	**(28,082)**	(15,781)
Net cash used in financing activities	**(41,622)**	(17,481)
Effects of exchange rate changes on cash and cash equivalents	**52**	(604)
	(71,873)	68,338

Net cash flows from operating activities

Net cash flow from operating activities was US$2.2 million negative for the reporting period (2022: US$102.2 million) and was primarily attributable to:

- Income before income tax for the reporting period of US$836.3 million (2022: loss US$81.8 million), adjusted by a non-cash charge for depreciation, depletion and amortisation of US$40.5 million (2022: US$51.8 million), finance costs of US$102.8 million (2022: US$123.1 million) and gain on debt-to-equity exchange of US$769.6 million (2022: nil) together with fair value adjustment on recognition of debt instruments of US$174.4 million (2022: nil).

- US$14.0 million increase in working capital (2022: decrease of US$15.5 million) is mainly attributable to increase in trade receivables by US$3.1 million (2022: US$5.7 million), increase in prepayments and other current assets of US$3.6 million (2022: decrease by US$5.0 million), and the decrease in other accruals and taxes payable by US$17.6 million as part of the current liabilities (2022: increase US$28.9 million).
- income tax paid of US$23.0 million (2022: US$6.3 million).

Net cash used in investing activities

Net cash used in investing activities for the reporting period was US$28.1 million (2022: US$15.8 million) due primarily to:

- Payment of US$19.3 million on acquisition of 80% interest in Positive Invest LLP (holding rights to Stepnoy Leopard fields) and further payments of US$3.6 million related two-well appraisal programme;
- US13.7 million (2022: US14.8 million) capital expenditures on infrastructure projects such as Gaslift expansion for US$3.8 million (2022: US$5.0 million), modifications and capital repairs at GTU1-2-3 US$6.4 million (2022: 3.8 million), as well as payments of expenditures related to well workover & intervention programme of US$1.0 million for the reporting period (2022: US$5.0 million).
- Transfer from restricted cash in the amount of US$5.8 million was primarily a net result from refund of the escrow account in the amount of US$22.8 million and placement of US$16.5 million on DSRA account in accordance with the terms of Restructuring, which was offset by transfer of US$0.5 million (2022: US$0.6 million) to liquidation fund as required by the subsoil use rights for abandonment and site restoration liabilities of the Group.
- US$2.7 million (2022: US$0.3 million) interest received on current bank accounts and term deposits.

Net cash used in financing activities

Net cash used in financing activities during the reporting period made up US$41.6 million (2022: US$17.5 million) and was mainly represented by the payment of US$31.8 million coupon on SSNs and SUNs for 2022 and 2023, and US$9.8 million (2022: US$17.5 million) payments of lock-up fees on completion of the Restructuring and related advisor fees.

Commitments

Liquidity risk is the risk that the Group will encounter difficulty raising funds to meet commitments associated with its financial liabilities. Liquidity requirements are monitored on a regular basis and management seeks to ensure that sufficient funds are available to meet any commitments as they arise. The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2023 based on contractual undiscounted payments (as audited):

In thousands of US Dollars	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
As at 31 December 2023						
Borrowings	–	–	16,489	805,097	–	821,586
Trade payables	10,305	–	327	–	–	10,632
Other current liabilities	12,936	–	–	–	–	12,936
Due to Government of Kazakhstan	–	258	773	4,124	2,319	7,474
	23,241	**258**	**17,589**	**809,221**	**2,319**	**852,628**

Capital commitments

During the reporting period, Nostrum's cash used in capital expenditures for purchase of property, plant and equipment (excluding VAT) was approximately US$13.7 million (2022: US$14.8 million). This mainly reflects costs associated with gaslift well infrastructure development, modification and capital repairs of GTU 1/2/3, other field infrastructure development projects and well workover and intervention.

The Group has also initiated a two-well drilling programme at the Chinarevskoye field, with an estimated investment of US$26 million. This programme is set to enhance production capacities over the 2024-2025 period. These operational improvements are expected to provide a more robust production outlook.

Stepnoy Leopard development

In Q1 2024 the Group made a final investment decision ("FID") for the initial field development phase of the Stepnoy Leopard Fields with first production targeted for the end of 2026. During the initial development phase, the Company is planning to drill four development wells across the key reservoirs, targeting recoverable resource potential between 30 mmboe and 50 mmboe. The wells are expected to produce raw sour gas and liquids with full-well-stream to the Company's Chinarevskoye processing facilities via a 120-km multiphase trunkline.

The forecast total capital budget for this initial field development phase is US$100 million gross. The full amount (including 20% minority partner carry) is planned to be financed from the Company's own cash reserves and forecast project cashflows.

The project related capital expenditures and contractual commitments will commence later in 2024 and ramp-up gradually over the 3-year execution period prior to startup at the end of 2026. Early cash generation will also strengthen the self-financing capacity and help spur further development of the remaining resource base.

Dividend policy

The Group currently pays no dividend and has not done so since 2015, as the Board determined it was not in the Company's best interests to do so. This will be reviewed annually by the Board.

Financial review continued

Going concern

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

The Directors' going concern assessment is supported by future cash flow forecasts for the going concern period to 30 June 2025. The Group had unrestricted cash balances of over US$162 million as at 31 December 2023 and over $16 million in DSRA account. The base case going concern assessment reflects production forecasts consistent with the Board approved plans and published guidance and assumes a Brent oil price of $75/bbl. Also, the forecast investing cashflows take into account two-well drilling programme at the Chinarevskoye field with total cost of US$26 million and initial capital expenditures related to development of Stepnoy Leopard fields. Under the base case going concern assessment to the period to 30 June 2025, the Group is forecast to have total cash reserves of over U$$130 million. The base case scenario has also been tested for sensitivity against the key assumptions including 10% reduction in product prices, 10% reduction in forecast production and sales volumes, 10% increase in capital expenditures and operating cost over the period of assessment and unexpected fines and penalties by regulators, consistent with the sensitivities applied for viability assessment as described on pages 39-40. Considering such sensitivity analysis conclusion was made that the Group is not exposed to downside volatility of these key assumptions individually or in aggregate.

After careful consideration, the Directors have a reasonable expectation that the Group and Company have sufficient resources to continue in operation for the going concern period to 30 June 2025. For these reasons, in accordance with provision 30 of the UK Corporate Governance Code 2018, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the consolidated financial statements accompanying this report do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group were unable to continue as a going concern.

Notwithstanding that the going concern period has been defined as the period to 30 June 2025, the Directors have considered events and conditions beyond the period of assessment which may cast doubt on the Group's ability to continue as a going concern. The Directors draw attention to the Viability Statement on pages 39-40 which highlights a potential necessity in the future for partial or full refinancing or restructuring of the Group's debt.

Alternative performance measures

In the discussion of the Group's reported operating results, alternative performance measures (APMs) are presented to provide readers with additional financial information that is regularly reviewed by management to assess the financial performance or financial health of the Group or is useful to investors and stakeholders to assess the Group's performance and position.

However, this additional information presented is not uniformly defined by all companies including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted IFRS measure. Such measures should not be viewed in isolation or as an alternative to the equivalent IFRS measure.

EBITDA

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

Operating costs

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

Five-year summary

In millions of US$ (unless mentioned otherwise)	2023	2022	2021	2020	2019
EBITDA reconciliation					
Profit/(loss) before income tax	**836.3**	(81.8)	5.6	(401.8)	(1,343.1)
Add back					
Finance costs	**102.8**	123.1	116.7	102.1	43.0
Impairment change	**–**	–	(74.2)	286.6	1,354.7
Gain on debt-to-equity exchange	**(769.6)**	–	–	–	–
Fair value adjustment on recognition of debt instruments	**(174.4)**	–	–	–	–
Employee share options-fair value adjustment	**–**	–	(0.2)	(0.5)	0.6
Foreign exchange loss/(gain), net	**0.9**	(0.3)	0.3	1.8	(0.4)
Interest income	**(2.7)**	(0.3)	(0.3)	(0.3)	(0.1)
Other expenses	**14.7**	29.8	13.2	7.6	12.5
Other income	**(6.4)**	(6.8)	(5.9)	(4.8)	(7.2)
Depriciation, depletion and amortisation[1]	**40.5**	51.8	57.3	89.8	143.3
Purchase of derivative financial instruments[2]	**–**	–	–	–	(3.7)
EBITDA	**42.1**	**115.7**	**112.5**	**80.5**	**199.6**
Operating costs reconciliation					
Cost of sales	**77.6**	84.1	87.8	125.4	172.0
Less:					
Depreciation, depletion and amortisation	**(40.3)**	(51.7)	(55.6)	(86.3)	(136.8)
Change in stock[3]	**(0.7)**	(1.2)	(0.4)	(7.3)	6.2
Operating costs	**36.6**	**31.2**	**31.8**	**31.8**	**41.4**
G&A reconciliation					
General and administrative expenses	**13.8**	12.1	12.1	14.7	21.4
Adjusted for:					
Depreciation and amortisation	**(0.2)**	(0.2)	(0.2)	(0.6)	(2.0)
G&A	**13.6**	**11.9**	**11.9**	**14.1**	**19.4**
Net debt reconciliation					
Long-term borrowings	**471.7**	**–**	–	–	1,100.5
Current portion of long-term borrowings	**–**	1,396.5	1,289.6	1,186.3	35.6
Less:					
Cash and cash equivalents	**161.7**	233.6	165.2	78.6	93.9
Net debt	**310.0**	**1,162.9**	**1,124.4**	**1,107.7**	**1,042.2**
Net cash flows from operating activities	**(2.2)**	102.2	117.4	82.7	196.8
Net cash used in investing activities	**(28.1)**	(15.8)	(19.8)	(40.1)	(121.0)
Net cash used in financing activities	**(41.6)**	(17.5)	(10.9)	(58.4)	(103.7)
EBITDA margin[4]	**35.2%**	**57.9%**	**57.6%**	**45.7%**	**61.9%**
Share price at end of period (US$)	**0.09**	0.03	0.07	0.10	0.22
Shares outstanding (`000s)	**169,382**	188,183	188,183	188,183	188,183
Options outstanding (`000s)	**2,948.9**	3,432	3,432	3,432	3,432

1. Depreciation as it applies to operating assets only.
2. Purchase of derivative financial instruments represents the cash paid under the hedging contract which in accordance with IAS7 Statement of Cash Flows is included within operating cash flows. While this item is not required to be presented in the Consolidated Income Statement, we have included this in our definition of EBIT and EBITDA in order to better align these non-GAAP measures with our operating cash flows.
3. Due to materiality the change in stock was introduced in the opex reconciliation from 2019, and comparatives have been adjusted accordingly for consistency purposes.
4. EBIDTA margin is calculated as EBITDA divided by total revenue.

Completion of bond restructuring

The successful completion of the restructuring has now positioned the Company to focus on growth and maximise returns for its stakeholders.

Restructuring terms

Partial reinstatement of notes	• US$250m Senior Secured Notes (SSN) – 5% cash coupon, interest accrues from 1 January 2022. • US$345m Senior Unsecured Notes (SUN) – 1% cash coupon, 13% payment in kind, interest accrues from 1 January 2022. • New notes mature on 30 June 2026. • If not repaid in cash at maturity, the SUNs will be repayable in specie through the issuance of equity of the Company based on the value of the SUNs outstanding on the issuance date as a percentage of the fair market value of the Company (up to a maximum of 99.99% of the Company's fully diluted equity.
Conversion to equity	• Remaining notes and accrued interest converted to equity. • Existing ordinary shareholders diluted to 11.11%. • Issue of warrants to new noteholders, which may further dilute existing ordinary shareholders to 10.00%.
Corporate Governance Arrangements Exchange	• Cash sweep mechanism to debt service retention account. • Transfer to Standard Listing segment of the London Stock Exchange. • Board to consist of 6 Directors (previously 5).

Key steps in 2023:

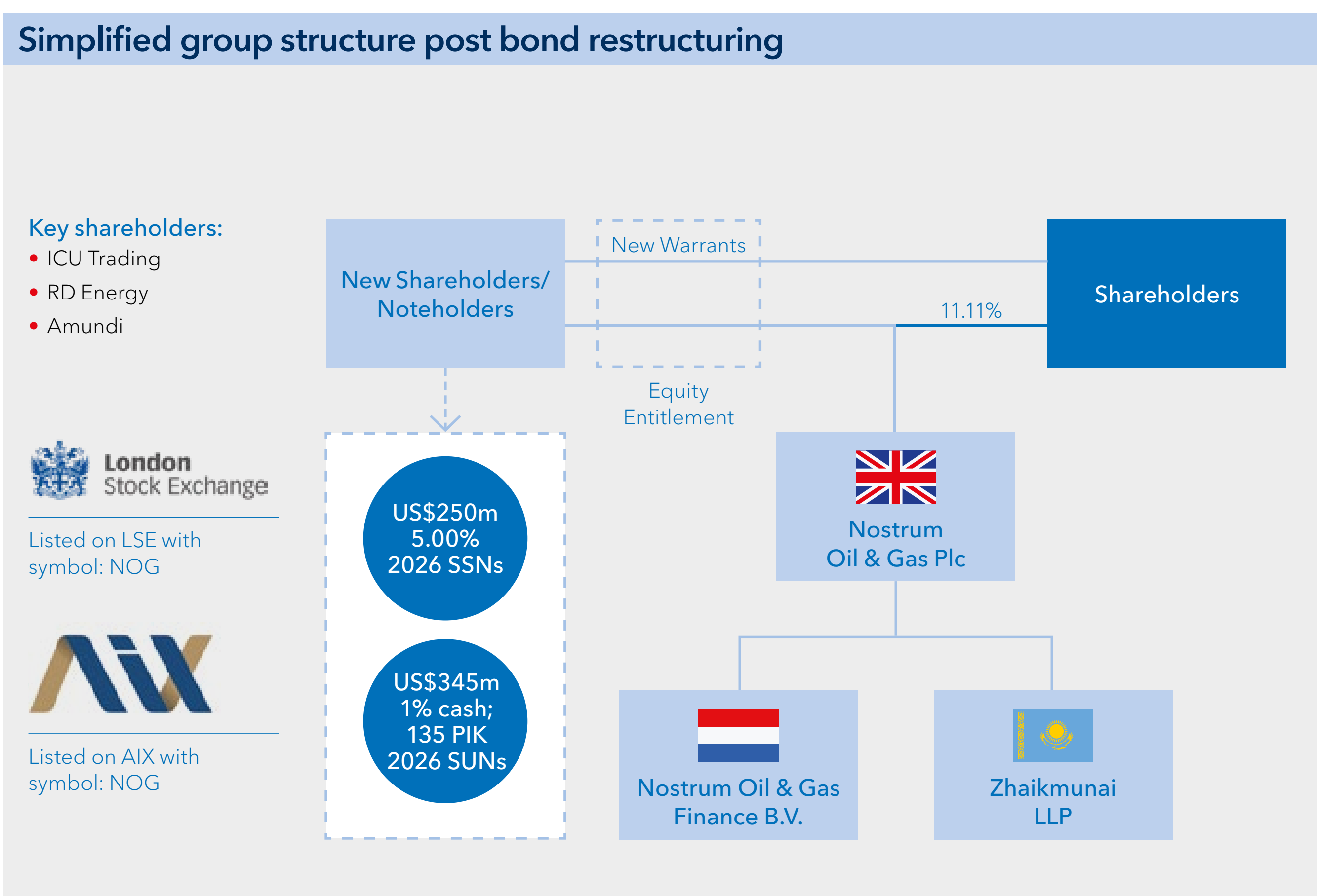
January 2023

The Company received the required license from the Office of Financial Sanctions Implementation.

February 2023

- The restructuring was implemented on the key terms as agreed under Lockup Agreement, and pursuant to the terms of the Scheme sanctioned by the Court on 26 August 2022.
- 150,563,304 new shares were listed Nostrum announced admissions to the London Stock Exchange (LSE) and Astana International Exchange (AIX). The Company approved the delisting of ordinary shares from the official list of the Kazakhstan Stock Exchange (KASE) with effect from 14 March 2023.

Simplified group structure post bond restructuring



November 2023

Nostrum Oil & Gas Finance B.V. announced that it has commenced a consent solicitation in respect of its US$250m SSN – 5% cash coupon, due 2026 and US$345m SUN – 1% cash coupon, and 13% payment in kind due 2026 in order to:

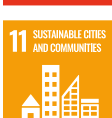
- permit the investment of cash from the Company into certain investment products approved by the Board of Directors of the Company in order to give the Nostrum Oil & Gas Finance B.V. greater flexibility to make investments in cash equivalents to receive higher returns;
- amend the warrant instrument such that the Company would not require further consent from the warrant holders to delist its shares from the AIX.

December 2023

The Company's ordinary shares were delisted from the official list of the AIX.

Our ESG strategy and targets

Pivoting towards cleaner energy and positive impact on society

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

What we did in 2023	What we plan to do in 2024
• In 2023 we achieved our target with actual GHG emissions in CO_2 equivalent of 180,157 tonnes as compared to 169,630 in 2022. The increase in GHG emissions is due to re-start of GTU-3 in 2H 2023 • Nostrum obtained "B-" score for the climate change module and "B-" for water security module as well • As part of the Company's Environment Protection Plan and in support of the Republic of Kazakhstan's ecology improvement objectives, over 400 trees have been planted in October in Beles and 800 trees were provided to Beles akimat that were planted as well • An inventory of biodiversity at the Chinarevskoye oil and gas condensate field was conducted during the autumn period to assess its current state. The study included an examination of water ecosystems as well as flora and fauna • Approved new Energy Management Policy	• Not to exceed GHG emissions set by the National GHG allocation plan (203 562 tons of CO_2)
• TRIR was 0.75 in 2023 (compared to a TRIR of 1.56 in 2022), target TRIR was less than 1.9 for 2023. All of Nostrum's total recordable injuries occurred in Kazakhstan • LTIR for 2023 was 0.37, compared to an LTIR of zero for 2022. target LTIR for 2023 – less than 0.85 • RTI rate was 0, target RTI – less than 0.75 • Annual contractor HSE forum dedicated to Road Safety Rules compliance was held in October 2023 and performed twelve external contractor HSE management audits to test compliance with our HSE management system. • All vessels and main flow lines were inspected according to international and RoK standards at the frequencies described (2, 5 or 10 years). Female representation is 22% at Group level. We also reduced the pay discrepancies between male and female employees • Approved new Local Communities Relations Policy • Approved new Personnel Performance Development Review Policy • Developed Inclusive Buddy Program Guidelines • Developed Inclusive Hiring Practices – Targeted Recruitment Program for Diversity • Updated the following Group policies: HSE Policy, QHSE management system • Held several trainings on ESG in general, and with in-depth insights into various ESG topics like Anti-Bribery and Corruption, Human Rights, Diversity and Inclusion	• TRIR – less than 1.9 • LTIR – less than 1.05 • RTI – less than 0.75
Updated the following Group policies: • Equality and diversity policy • Whistleblowing policy • In 2023 we significantly improved our ESG Risk Rating from the international agency Sustainalytics. Our current ESG Risk Rating is 30.1 which places the Company on the very low end of the "High Risk" category, and only 0.1 point separate us from the "Medium Risk" category on the ESG Risk Rating scale. Nostrum has scored amongst the top 20 companies within the Oil & Gas Exploration and Production industry assessed by Sustainalytics • Nostrum joined the National ESG-Club in 2023 which unites companies that are leaders in ESG transformation in their industries and who actively promote the principles of sustainable development in Kazakhstan	• The implementation of the Action Plan to further improve the ESG rating • Continue to train employees on ESG topics, and cover more than 90% of the staff with an ESG training program • Greater company's transparency on ESG topics by expanding ESG reporting to communicate our progress and performance in ESG

Material ESG issues GRI 3-1, GRI 3-2

2023 highlights

Fatalities	Road traffic accidents	Lost time incidents	Increase in GHG emissions[1]	Employees
One	Zero	0.37	6%	571

Our reporting framework

Current ESG rating

Climate Change

Water Security

1. The increase in GHG emissions is due to re-start of GTU 3 in 2H 2023.

At Nostrum, we annually report on our sustainability performance using internationally recognised reporting standards and frameworks. Our reporting follows guidelines, indicators, and terminology established by prominent organisations such as TCFD, IPIECA, and the Global Reporting Initiative (GRI) Standards 2021.

Furthermore, we consistently provide data to CDP for climate change and water security assessments, and engage with Sustainalytics for evaluations of our ESG performance and ratings. This report has been meticulously prepared with reference to the Global Reporting Initiative (GRI) Standards 2021.

Management of Material Topics

In order to ensure that our ESG reporting aligns with the concerns that are of greatest importance to our stakeholders, we conduct routine assessments of materiality. The insights gained from these assessments serve as the foundation for shaping our ESG reporting.

We have identified seven key ESG material topics that we consider essential for implementing our strategy. The material topics assessment helped identify and prioritise the reporting topics about our business as it relates to ESG. Following the principle of double materiality, to reflect both the impact of sustainable development on the organisation and the impact of the organisation on sustainable development, these are subjects that could have a substantial influence on either our financial and operational performance or on the societies and ecosystems in the regions where we conduct our activities. Material ESG topics directly translate into ESG risks for our organisation.

ESG Management

Management of ESG material topics and the integration of the ESG agenda into the Company's activities are significant elements of Nostrum's corporate governance system.

Promoting sustainable development practices within the Company not only aids in adapting to the strategic landscape, addressing market changes, and enhancing risk management efficiency but also cultivates a corporate culture that is motivating and innovation-oriented. This, in turn, facilitates the establishment of positive relationships with stakeholders.

For the effective integration of sustainable development principles across all areas of activity at Nostrum, more than 20 internal documents have been adopted.

To coordinate all processes related to ESG, the Senior Management level specialised committees have been established within the Company – the ESG Committee and the HSE Committee, overseen by the CEO and led by the Head of ESG and Group Head of HSE, respectively, to engage on ESG issues with all the stakeholders. These committees define Nostrum's ambitions and vision in the ESG domain, monitor the Company's compliance with national and international standards, and address the requirements of external stakeholders. Both have responsibility for the HSE and ESG-related matters including the execution of HSE and ESG-related targets and projects which fall under all material ESG topics of the Company.

In order to enact the principle of senior management engagement in sustainable development management issues, key performance indicators (KPIs) were sanctioned specifically pertaining to ESG performance. See page 23.

Material ESG issues

Key ESG material topics

Focus area	Material topic	Sustainable Development Goals – the United Nations
Climate change and energy	Climate action/GHG emissions/ Energy efficiency	7 Affordable and clean energy; 13 Climate action
Environment	Emissions, effluents, waste and resource use Land Use and Biodiversity	6 Clean water and sanitation; 9 Industry, innovation and infrastructure; 12 Responsible consumption and production; 15 Life on land
Safety, health and security	Occupational Health and Safety	3 Good health and well-being
Social	Community Relations Human Capital	4 Quality education; 5 Gender equality; 8 Decent work and economic growth; 10 Reduced inequalities; 11 Sustainable cities and communities
Business Ethics	Bribery and Corruption	16 Peace, justice and strong institutions; 17 Partnerships for the goals

ESG ranking

In 2023, Nostrum once again received an ESG Risk Rating from Sustainalytics. Covering more than 16,000 companies, Morningstar Sustainalytics has the widest coverage of analyst-based ESG Risk Ratings in the market. The Sustainalytics ESG Risk Ratings measure a company's exposure to industry-specific material ESG risks and how well a company is managing those risks. Company ratings are categorised across five risk levels: negligible (below 10 points), low (10-20 points), medium (20-30 points), high (30-40 points), and severe (above 40 points).

The updated ESG Risk Rating for Nostrum by Sustainalytics stands at 30.1 points, placing us in the high-risk zone and on the brink of transitioning to the medium-risk category. The previous ESG Risk Rating in 2022 was 40.5 points, placing us in the severe risk category according to Sustainalytics' methodology. Our efforts throughout 2023 to improve ESG risk management have yielded significant results, reflected in a notable improvement in the Company's rating.

We would like to highlight the following rating outcomes:

Our exposure to ESG risks remains high, considering the industry, geographical factors, and other conditions under which we operate – scoring 73.2 points. This surpasses the average susceptibility to risks of Oil & Gas Producers peers, which stands at 69.9 points. Furthermore, our ESG risk management grade is also very high at Nostrum, significantly outperforming our market cap peers in risk management. Specifically, Nostrum's ESG risk management level is rated at 69.6 points, categorised as Strong Management compared to our market cap peers with scores of 22 points or below, indicating Weak Management.

We rank at the 10th percentile among oil & gas producers in the Sustainalytics universe. The majority of companies in the Oil & Gas Producers Industry have ESG Risk Ratings categorised as Severe, scoring 40 points or higher.

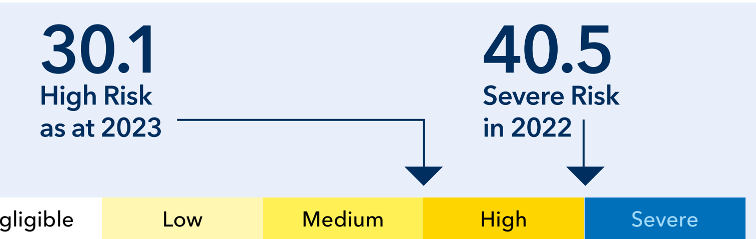
The most significant improvements in 2023 regarding the rating are observed around the following material topics: Emissions, Effluents and Waste, Community Relations, Carbon – Own Operations, Land Use and Biodiversity, and Resource Use.

Several processes have been enhanced within the company, including Environmental Policy, Environmental Management System, Biodiversity Programmes, Effluent Management, Emergency Response Programme, Non-GHG Air Emissions Programmes, Water Management Programmes, Political Involvement Policy, Diversity Programmes, Human Capital Development, Human Rights Programme, and Community Development & Involvement Programmes.

Our company has not recorded any controversy events or allegations, while the most frequent event categories among our peers in the Oil & Gas Producers Industry are Business Ethics, Emissions, Effluents and Waste, Occupational Health and Safety, and Community Relations.

ESG risk rating significantly improved

In 2023 we continued to enhance our ESG task force and have made significant strides in improving our ESG Risk Rating. Our current ESG Risk Rating is 30.1, placing Nostrum at the lower end of the "High Risk" category, with a minimal difference of 0.1 point separating us from being classified as "Medium Risk" on the ESG risk rating scale.



10th percentile in the Oil & Gas Producers industry

Ratings of IOCs operating in RoK and local oil majors

Total Energies	KazMunayGas	Shell Plc	Chevron Corp.
27.1	32.3	33.7	36.8

Materiality Assessment Process

STEP 1: Analyze the internal and external environment

Regulatory and Industry Analysis

- Oil and gas industry associations (IPIECA, API, IOGP)
- Environmental, labour laws, safety standards, national reporting requirements

Internal Data Collection

- Environmental reports, records
- Safety records
- Governance practices

Analysis of international standards and ESG rating agencies

- Rating agencies (Sustainalytics, MSCI, Refinitiv, EcoVadis, ISS)
- Global reporting initiatives (GRI, SDGs, TCFD, CDP, SASB)

Engagement with stakeholders

- Regular direct engagement with stakeholders
- Membership in industry associations (KazEnergy, ESG-Club)

Benchmarking

- 15+ Global leading Oil and Gas companies

Analysis of media, research, consulting, audit companies

- Articles
- Researchers, consultants, auditors (McKinsey, KPMG, EY, PWC, BCG, S&P, etc.)

STEP 2: Identify actual and potential impact

Forming a pool of 36 topics that reflect the industry's characteristics

- 8 topics on environment, 19 topics on society, 9 corporate governance topics

STEP 3: Assess the significance of the impact

- Business relevance assessment
- Stakeholder impact assessment

STEP 4: Select material issues for reporting

- Final prioritisation, testing
- Review and approval

STEP 5: Performance, reporting, periodic updates of the materiality analysis

Health and safety

The safety of our employees and contractors is a top priority for Nostrum, and we are dedicated to upholding the highest international health and safety regulations. We aim to foster a strong culture of safety throughout our operations every day.

Safety Culture

At Nostrum, fostering a strong safety culture is essential for the well-being of our employees, the efficiency of our operations, and the integrity of our brand. Prioritising safety underscores our dedication to ensuring a secure and healthy workplace for all stakeholders. This commitment not only minimises workplace accidents and injuries but also builds trust and confidence within our team. Moreover, adopting a safety culture contributes to increased productivity, reduced operational expenses, and a boost in overall morale. In essence, cultivating and upholding a comprehensive safety culture signifies our unwavering commitment to employee welfare and business sustainability.

At Nostrum, our safety and environmental practices are based on four key pillars: HSE leadership, incident investigation, process safety and asset integrity, and contractor HSE management. Each pillar is fundamental to maintaining a safe, secure, and environmentally aware workplace. HSE leadership blends safety into every level of our company, while rigorous incident investigation enables us to learn from past experiences and continuously improve our processes.

Process safety keeps our operations safe, while effective contractor HSE management aligns everyone with our safety values. These pillars form the foundation of our comprehensive approach to HSE, reflecting our dedication to upholding the highest standards of safety, health, and environmental stewardship.

Beyond these, we enforce “Golden Rules”, provide extensive straining on safety practices and apply a comprehensive Governance framework as outlined in the TCFD Governance recommendations on pages 75-76.

Incidence rates and investigation GRI 403-2

In 2023, our Total Recordable Incidents Frequency rate dropped to 0.75 per million man hours, a 52% decrease from 2022. The Lost Time Incidents Frequency rate was 0.37, and there were no Road Traffic Incidents in 2023 for both Nostrum and our contractors’ operations.

Regrettably, we experienced a contractor fatality in a height-related incident. Prior to this, we had maintained a record of five years without any fatalities. We undertook comprehensive investigation and implemented measures to avoid such incidents in the future.

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

Contractors GRI 2-8

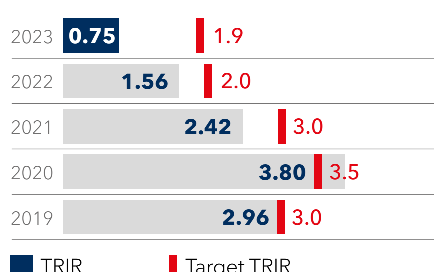
We require our contractors and suppliers to work to the same high standards as our employees, therefore effective contractor selection, communication and training in our safety culture and practices as well as strong monitoring are essential to maintain the high level of safety embraced by Nostrum.

Manhours worked in 2023	Percentage of total
Nostrum employees: 1,060,864	40%
Contractors: 1,617,146	60%

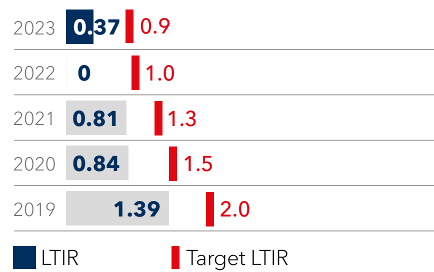
In 2023, we continued with our contractor HSE management implementation and performed twelve external contractor HSE management audits to test compliance with our HSE management system.

Nostrum seeks to promote safe behaviour among its contractors and has established a wide range of methods to ensure that operations at facilities are carried out in full compliance with local legislation as well as Nostrum rules and regulations. In addition to the measures already discussed, Nostrum continues to use the hazard observation cards initiative introduced in 2019 (described more fully on page 57).

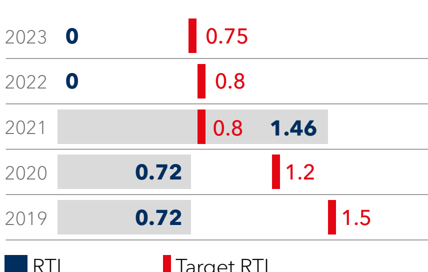
TOTAL RECORDABLE INCIDENTS RATE
incidents per million man-hours



LOST TIME INJURY INCIDENTS (LTIS)
incidents per million man-hours



ROAD TRAFFIC INCIDENTS RATE
incidents per million km driven



Health and safety continued

Our annual contractor HSE forum dedicated to Road Safety Rules compliance was held in October 2023. General directors and HSE Representatives from main contractors gathered to discuss their HSE performance results with the Company's management. This year, we focused on HSE Golden rules and Road Safety compliance. The forum allowed for open discussions aiming to boost our shared dedication to a safe work environment. We are committed to ongoing dialogue and support to improve our HSE practices and achieve the highest standards of safety for all individuals involved in our operations.

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

Golden Rules

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

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

This process is more fully described below:

Pre-Award

Stage 1 – Vendor Qualification

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

Stage 2 – Scope of Work preparation by contract holders

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

Stage 3 – Tender

Our standard ITT Package includes:

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

Stage 4 – Contract execution

The selected contractor signs the contract which incorporates an Appendix with HSE Requirements as an integral part.

Post-Award

Stage 5 – Contract Performance

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

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

Road Safety

In 2023, Nostrum continued to implement the following activities carried out over the years:

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

Hazard Observation Cards

GRI 403-2

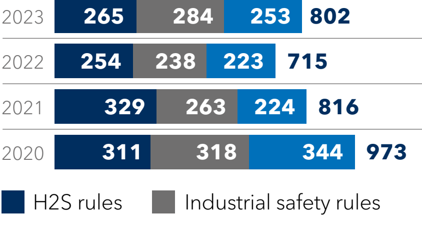
As part of promoting a safety culture among our employees and contractors, Nostrum continues to implement a hazard observation card process. This initiative was launched in 2019, when all employees and contractors were encouraged to report any unsafe conditions observed in the workplace. This helps to ensure that our employees and contractors are always mindful of safe working conditions and continuously help to improve the safety of our operations.

In-house HSE training and examination process

GRI 403-5

Nostrum provides in-house HSE training and examination designed to improve the HSE competencies of both Nostrum and contract personnel performing safety-critical activities. To facilitate this, Nostrum acquired an industrial safety accreditation which allows the Group to conduct in-house HSE training and examination in areas such as industrial and labour safety. Group employees are continuously trained in labour safety, industrial safety and H2S rules. During 2023, 802 employees took advanced HSE training.

IN-HOUSE HSE TRAINING



HSE communication and awareness

GRI 403-5

In 2023, HSE Workshops were carried out for field personnel to promote awareness on the following topics:

- Work at Height
- First Aid in case of heart attack
- Permit to work
- Emergency Response
- Fire Safety
- Personal Protective Equipment

Additional 2023 initiatives include:

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

Process safety

GRI 403-3, 403-7

In 2023, no Tier 1 or Tier 2 process safety incidents were recorded at Nostrum's production sites. According to the American Petroleum Institute's definition, a Tier 1 and Tier 2 safety incident is an unplanned or uncontrolled release of any substances, including non-toxic and non-flammable materials, from a process that results in one or more of the following consequences:

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

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

Vessel and Flow-line inspection programme

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

Emergency response, Civil Protection Planning and Prevention

In 2023, no industrial accidents or oil spills were recorded at Nostrum's operations. The Company has established and successfully exercises an emergency response system and undertakes measures to prevent oil and oil product spills.

Emergency response and accidents preparatory activities

GRI 2-25

The Company has emergency response plans to improve our capacity to swiftly address unexpected occurrences, thus preserving operational continuity and mitigating adverse effects on individuals, the environment, our physical infrastructure, and our reputation. These plans are effectively communicated to our workforce, and those involved in emergency response undergo training to ensure proficiency in fulfilling their emergency responsibilities. We remain committed to upholding asset integrity and managing operations to effectively mitigate all significant risks throughout every phase of our activities.

Specifically, in 2023 emergency training of personnel has been conducted on a quarterly basis in order to prevent accidents and emergencies as well as to train personnel in emergency response in case of their occurrence according to Emergency Response Plans emergency scenarios at all hazardous production facilities. In 2023, we maintained emergency response training and exercises involving credible emergency ERP scenarios at all hazardous production facilities.

Hazardous production facilities at Nostrum include:

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

Health and safety continued

During training drills at every facility, the emergency operations center organised and coordinated possible emergency prevention and responses to accidents, as well as to ensure fire safety. During quarterly drills held at the facilities – EOS, the whole range of issues related to accidents and emergency prevention and elimination procedures was considered.

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

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

Oil spill prevention

GRI 2-25, 206-3

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

Oil Spill Response Plan

We continue to enhance our spill response capabilities in accordance with the Oil Spill Response Plan ("OSRP") within the Company's production facilities.

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

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

Following directives from Oblast Akim in 2023, we conducted an extensive Oil Spill Emergency Response drill in May at the Terminal and oil pipeline with the participation of the Company Emergency Response Team, and emergency response teams from Baiterek district, West Kazakstan Oblast. Ansar-S-group LLP, our contractor supplied the main equipment to the training site, conducted three drills for collecting of the spilled oil from the ground and water surface and one drill focused on extinguishing oil fires. The Asnar S Group staff received training on using the oil collecting equipment effectively. The standout results were recognised and the Company Managers received Certificates of Appreciation from the Head of WKO Department of Emergency Situations.

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

The OSRP has been annually reviewed and updated to consider the regulatory requirements, availability of resources to be involved. The OSRP gives substantiation of a possible emergency level, analyses scenarios of their occurrence and development, and also makes a forecast of possible consequences for production facilities associated with accidental oil spills.

Introduction of emergency response plans and OSRP for Nostrum's production and engineering personnel is documented in the briefing log at the workplace. In accordance with Industrial Control Charter the Facilities Manager and Field Director are responsible for the due and correct preparation of ERPs, and ensure compliance with safety requirements is controlled on a regular basis. If non-compliance is identified, corrective and preventive action plans are developed and implemented.

Boosting readiness of emergency rescue teams

To respond to emergencies, Nostrum established civil defence teams, whereby 120 employees on a voluntary basis (60 people in each shift), are engaged to ensure the safety of the production facilities. In 2023, regular drills with civil defence staff were conducted as per drill plans. The staff included to Civil Defence Teams was trained in 2023 at the facility of Ak-beren blow out elimination service in Burlin District WKO.

To maintain and conduct emergency rescue operations, the Company has long-term contracts with professional ERT – Ak-Beren LLP (gas rescue service) and Ansar-S-Group LLP (firefighters-rescuers). Ak-Beren, a professional blowout elimination service, is responsible for accident prevention at oil and gas wells, which is fully compliant with the requirements for oil, petroleum product, and other hydrocarbon spill response.

Contained and non-contained oil spills

In 2023 there were no oil spills. A table below shows data for 2019-2023:

Period	Contained oil spills	Non-contained oil spills	Volume of the oil spills in cubic meters	Note
2019	0	1	0.045	In February 2019, there was a minor fuel spill of 45 litres of diesel when an LPG truck tipped over.
2020	1	0	0.05	There was an oil spill inside the pump station of the Terminal without any leak to the open ground surface.
2021	0	0		
2022	0	0		
2023	0	0		
Total	**1**	**1**	**0.095**	

Materials and equipment available to the emergency response and rescue teams are certified and compliant with all requirements.

A high degree of readiness for the ERT is supported by regular drills and training, as well as theoretical knowledge. Drills and training are held on a quarterly basis at all facilities. Special attention during the ongoing emergency drills was given to those facilities where gas and oil contain hydrogen sulfide. All Emergency Response Plans were reviewed, updated and approved with Ak-Beren emergency response service and Ansar-S Group. Commanders of voluntary rescue and fire teams were additionally trained under the training program for unit commanders to maintain levels of skills and competence, particularly in relation to safety-critical roles.

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

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

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

- Ansar-S-Group LLP – fire prevention.
- Ak-Beren LLP – blowout prevention, gas rescue.
- Nysan-Korgau – the organisation of access control and protection of an accident zone from unauthorised individuals.

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

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

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

Alert system for employees and communities located near the Chinarevskoye Field

The Company is constantly improving internal procedures aimed at alerting and preventing emergency response cases, and in 2023 the Company maintained alert systems at Nostrum production facilities. The duty dispatch service promptly transmits information about the occurrence of accidents and emergencies to EOS-1 and EOS-2 to notify the management of the Company and government agencies.

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

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

Firefighting activities arrangement

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

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

These activities include:

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

Civil defence and emergency prevention measures

In 2023, in line with RoK legislative requirements, Civil Defence Plan annexes were revised. Training in civil defence for personnel training was organised at the Company's offices. A special tactical exercise was conducted with the office staff on emergency evacuation in case of fire and the provision of medical assistance. In 2023, 100% of office staff were provided with civil gas masks GP-7 with "Breeze" filter boxes.

In 2023, the West Kazakhstan Emergency Situations Department held annual inspection of the Chinarevskoye field and the office on fire safety. As a follow-up to the state field inspection on fire safety compliance the Company has developed an action plan and regularly provide information to authorities on its execution.

Our people

GRI 2-7

Promoting diversity and inclusion stands out as a crucial challenge and opportunity in the contemporary world. Businesses hold a significant responsibility in this regard, acting as influential proponents of positive principles and serving as commendable role models. Enhancing inclusion and diversity within our Group goes beyond mere correctness; we firmly believe it fortifies the qualities that contribute to the overall strength and improvement of companies through the creation of synergies.

Fundamentally, this effort revolves around recognising, respecting, and appreciating our unique differences. It transcends mere tolerance, delving into a profound understanding of each individual and an exploration of the factors that set us apart. Inclusive societies cultivate a profound sense of meaningful belonging, fostering support and value for individuals–integral elements crucial for the success of our organisational structure at Nostrum. We take pride in cultivating a diverse and inclusive workforce, providing a home for individuals from various backgrounds.

Undoubtedly, our people constitute the cornerstone of our success. Actively engaging with individuals possessing diverse assessments and perceptions leads to superior decision-making, increased innovation, and a more profound commitment in the workplace.

This is why we dedicate special attention to the ongoing enhancement of diversity and inclusion within our Company.

NUMBER OF EMPLOYEES
as at 31 December

Year	Employees
2023	571
2022	566
2021	559
2020	564
2019	668

Strength through diversity

GRI 401-3, 405-1

At the end of 2023, Nostrum's workforce stood at 571 employees, with 78% being male and 22% female (2022: 78% male and 22% female employees). The Company remains steadfast in its commitment to establish key performance indicators (KPIs) for its HR department, specifically focusing on advancing diversity across all levels of the organisation. Particularly in the domain of diversity metrics, we aim to distinguish ourselves by increasing female representation across various tiers.

Nostrum has consistently upheld a corporate Equality and Diversity Policy for several years, underscoring our unwavering dedication to these principles. At the end of 2023, 21% of Group employees based in Kazakhstan were female, a figure that remains consistent with 2022. Furthermore, in the UK, 67% of employees were female (2022: 50%).

GENDER DIVERSITY
as at 31 December

Year	Male	Female	Total
2023	78%	22%	571
2022	78%	22%	566
2021	77%	23%	559
2020	77%	23%	564
2019	75%	25%	668

Male Female

We take pride in our unwavering commitment to cultivating a workplace that celebrates diversity and fosters inclusiveness. Our core belief is anchored in recognising and appreciating the unique contributions of every team member, irrespective of their background or identity.

Acknowledging the continuous need for progress, the Board continues to prioritise diversity in upcoming appointments, with a specific focus on ensuring robust representation of Kazakh nationals in senior roles. Presently, 29% of department heads are female (2022: 32%). As at 2023 year-end, our Senior Management Team comprises 27% females, marking an increase from the 20% recorded in 2022. We are targeting to further increase female representation at the senior management and at the department head level as possible. We actively advocate for female promotions in cases of parity in competencies and capacities. However, swift progress is impeded by the shortage of qualified female candidates willing to work in field-based roles, where a majority of our positions are situated, involving rotational shifts. And whilst we are encouraged by our diversity at Board level, we do recognise that diversity remains an ongoing issue in the oil and gas industry, particularly with regard to gender diversity.

Our Human Resources department actively promoted internal growth and worked to develop a diverse workforce at all levels of our organisation. In 2023, 25% of Group recruitment was female, a substantial increase from the 7.27% recorded in 2022. In 2023, five employees took parental leave and eight employees returned from parental leave, all females.

The Company prioritises diversity in terms of nationalities, maintaining a diverse management team with representation from six different nationalities. Among the eleven members of the Senior Management Team, five are Kazakh nationals as at 31 December 2023. Additionally, there were no reported incidents of discrimination raised by any Group employees in 2023.

We believe diversity and inclusion are essential components to our business strategy. The company acknowledges that a diverse and inclusive workplace fosters better decision-making, stimulates innovation, and ultimately enhances business performance. We are committed to fostering an environment where every employee can thrive and achieve their full potential. We recognise that diversity goes beyond nationalities and encompasses a wide range of backgrounds, experiences, perspectives, and identities.

GENDER DIVERSITY, 31 DECEMBER 2023, %

Board

Female	Male
1	5

17%

(2022: 20%)

SMT (other than Directors)

Females	Males
3	8

27%

(2022: 20%)

Department heads

Females	Males
8	20

29%

(2022: 32%)

Employees

Female	Male
113	419

21%

(2022: 21%)

Diversity Action plan

GRI 405-1

This year once again, we have endeavoured to enhance and progress in our promotion of diversity and inclusion within our organisation. Several initiatives have been improved, and others have been implemented.

Among them, a program aimed at addressing the under representation of certain disadvantaged groups, the "Targeted Recruitment Program" has been created. This initiative focuses on attracting and hiring individuals from diverse backgrounds, such as women, minorities, and individuals with disabilities.

To reach that goal, concrete measures have been put in place, like discussing with external organisations and networks for collaboration to broaden our talent pool and ensure equal opportunities for all, as well as training our HR team to conduct inclusive recruitment interview and write an inclusive job advert.

We have developed the Company's Inclusive Buddy Program, designed to establish a framework that facilitates the integration of new hires through mentoring experiences. Our aim is to foster a welcoming, friendly, and respectful work environment for all members.

We have established comprehensive D&I training programs aimed at raising awareness and providing knowledge on various topics, including equity and equality, stereotypes and biases, discrimination and prejudice, sexism and disability in the workplace, culture, and microaggressions. By embracing this approach, the organisation seeks to create a workplace where every employee feels valued and respected, fostering a collaborative and innovative atmosphere. This, in turn, will enhance employee engagement and satisfaction, ultimately contributing to long-term growth and success.

We have proposed the institution of a zero-tolerance approach to discrimination, harassment, and bullying, indicating that any documented incidents of harassment, discrimination, bullying, or victimisation will be treated seriously and could potentially lead to disciplinary action, including dismissal, with or without notice. This policy is currently under review and pending final validation.

Through our endeavours, we have observed a significant rise in the interest regarding diversity within our workforce, evidenced by an increased number of employees actively participating in our surveys and e-learnings and engaging in discussions with the Human Resources Department.

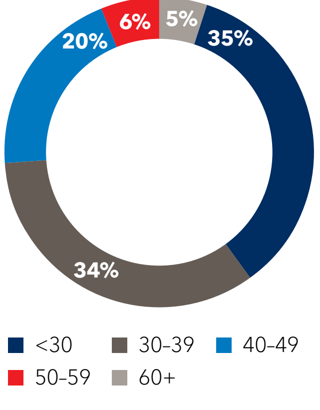
Moving ahead, we are dedicated to boosting diversity and inclusion in our organisation. For 2024, we plan to hold monthly onsite training sessions led by a dedicated coach three times a month as part of our D&I program. Our focus will be on creating mentoring programs linked to our Targeted Recruitment initiative to offer guidance, networking opportunities and professional growth to underrepresented groups.

We will closely monitor the Buddy Program and its implementation to ensure seamless integration of new hires, while also gathering feedback from employees and their assigned buddies. Additionally, we plan to create a user-friendly and comprehensive on-boarding manual to assist new team members during their first days.

Furthermore, we plan to establish employee affinity groups, diversity councils, and networking groups to support underrepresented members of our workforce. These initiatives will offer networking, mentoring, and career development opportunities, thus cultivating an inclusive environment that promotes a sense of belonging for all individuals within our organisation.

Regarding anti-discrimination measures, the Nostrum Code of Conduct safeguards all employees and contractors from unlawful discrimination based on aspects such as ethnicity, sexual orientation, disability, socio-economic background, age, gender, educational and professional backgrounds.

BREAKDOWN OF EMPLOYEES AND TOP MANAGEMENT BY AGE, 31 DECEMBER 2023 (%)



Our people continued

Employee relations and social guarantees

Nostrum prides itself on being an integral community partner and one of the largest employers in western Kazakhstan, with 98% of Group employees hired locally and 92% of all employees being RoK nationals. As at 31 December 2023, Nostrum had a total of 571 employees from 12 countries.

We offer all staff members competitive benefits and remuneration packages in compliance with all regulatory, guidelines and requirements, which (to the extent applicable) are also applied to those hired as temporary or part-time employees.

In an effort to promote gender equality, we continued to monitor gender pay discrepancies. Emphasis has been placed on supporting female advancement, resulting in promoting seven females for their competences. In 2023, we continued to conduct our own gender pay discrepancy review with a grouping of employees based on their job function, seniority, location and other factors. As a result of this analysis, the following observations were drawn:

1. Roles with higher pay are male-dominated (C-suite)
2. We have seen that the gender pay gap has further narrowed in 2023 as compared to 2022, the average employee salary in Kazakhstan was 2.6% higher for males (2022: 3.3 % higher for males) and the median employee salary in Kazakhstan was 5.3% higher for females (2022: 1.4% higher for females). At certain levels female pay exceeds their male counterparts (Office), while in the Field the remuneration is higher for males than females.

Despite short-term variations, our commitment remains steadfast towards fair and balanced recruitment and promotion practices along with consistent skills evaluation. We aim to increase the presence of women in senior roles and areas of our businesses where they are currently under-represented, with the long-term goal of eliminating the gender pay gap. The Board will continue to monitor any gender pay discrepancy by defining targets and activities to address any inequalities discovered.

Succession Planning Policy

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

Education and training

GRI 404-2

Investing in the development of our people is crucial for fostering economic self-sufficiency within the local communities where we operate. Under the terms of the PSA, we are required to spend 1% of our annual Chinarevskoye field development costs towards education and training.

In 2023, 500 employees benefited from education and training programmes (2022: 507 employees). Our total Group training costs in 2023 were US$0.6m (2022: US$0.4m) and the total number of training days in 2023 was 5,702 days (2022: 6,961 days).

In 2023, Nostrum supported numerous educational programs, including MBA in Global Banking & Finance, ESG reporting: GRI Standards-Oil and Gas course, Document control foundation course, Oil Field Management Production Performance and Forecasting Analysis course, Mayekawa equipment. Module-unit based on a screw compressor course, Installation and programming of Danfoss frequency converters, Internal auditor of an integrated management system according to ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, root cause analysis for incident investigation (TapRoot Why Tree, 5 Why) course training was undertaken by operational and head office teams, department heads, specialist engineers and other technicians at different levels across the organisation.

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

Hiring and staff turnover

GRI 401-1

As part of the Company's costs optimisation plan, in 2023, 48 employees (of which 36 males and 12 females) were released or agreed to voluntarily resign, and their positions were not filled (2022: 48 employees). This was the main cause of staff turnover. The number and percentage of new employees hired in 2023 was 52 or 9.1% (of which 13 were females and 39 were males).

Workforce representation

GRI 2-26, 2-29

In 2018, the Company put collective agreements in place to provide for workforce representation. In 2023, Chris Hopkinson was appointed as the Company's non-executive director designated with the task of obtaining the views of the Company's workforce and feeding these into the Board's decision-making processes. In November 2023, Chris Hopkinson met with members of the workforce in Kazakhstan and obtained feedback regarding various matters of importance to the workforce.

The Board of Directors strives to adopt best practices in corporate governance, including engagement with the Group's workforce. In particular, the Board wishes to understand the views of the Group's workforce and to take such views into consideration in Board discussions and decision-making. Communication between the workforce and the Board is often referred to as the "employee voice", and it is hoped that a wide selection of views from the workforce can be gathered through a range of formal and informal channels.

Such channels are intended to help the workforce share ideas and concerns with senior management and the Board. This communication provides useful feedback about business practices from those delivering them and can help empower colleagues. The Board encourages individuals to raise any concerns they may have. Doing so acts as an early warning system for actual or potential problems and helps to manage risk. The Board actively listens to workforce concerns and subsequently provides feedback on how the matter raised has been considered, including any action taken. The Board emphasised that the workforce should feel safe to raise concerns.

Nostrum Code of Conduct

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

Human Rights Policy

GRI 2-23

Throughout 2023, the Group had a Human Rights Policy which reflects the desire to comply with industry best practice and the HR department has raised its awareness on the numerous benefits and interests that our Human Rights Policy provide to our organisation.

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

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

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

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

A copy of the Code is available on the Group's website in both Russian and English and can be downloaded from our website: **www.nostrumoilandgas.com**.

Modern Slavery Act Statement

GRI 2-23

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

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

A copy of our Modern Slavery and Transparency Statement is available on our website: **www.nostrumoilandgas.com**.

Whistleblowing Policy

GRI 2-26

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

The Whistleblowing Policy sets out details of two compliance liaison officers who speak a variety of languages for the purposes of reporting any concerns. The Whistleblowing Policy is also mentioned in the Code, and a person who reports any matter in good faith will be protected against any sanctions. More information on this matter is provided on page 92.

The updated version of the Whistleblowing Policy, revised in August 2023, is available on the Company's website. At the time of writing, we have received no reports under our Whistleblowing Policy of forced/ involuntary labour or human trafficking in relation to our business or supply chains. For further details, please see our website: **www.nostrumoilandgas.com**.

Social responsibility

Nostrum takes pride in being an active partner within the community, dedicated to cultivating an atmosphere of openness, engagement, and the highest level of social responsibility. Our commitment extends to providing both social and financial support aimed at enhancing the well-being of local residents. This includes our efforts in advocating for environmental sustainability, upholding ethical standards, engaging in philanthropy, and demonstrating economic responsibility.

Over

US$1.2bn

taxes paid since inception

Zhaikmunai has paid over US$1.2bn of taxes since inception to the local and federal government authorities of the Republic of Kazakhstan.

Philanthropy: 2023 key initiatives GRI 413-1

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

During 2023, Nostrum continued to actively perform charitable activities to support local communities, particularly in the territory of its operations.

The Company's main activities were to support local communities in the healthcare system, in projects aimed at supporting cultural, sports and educational programs and to involve new communities in the social development of the region (Establishment of the Public Council of Gorbunovo village). In 2023, the company's charitable expenditures in support of the local communities exceeded US$0.4m. The company's most significant investments in support of local communities in 2023 were as follows:

Contribution to regional development

- construction of a park in Beles and the planting of fruit trees;
- assisting neighbouring communities to prevent natural disasters during severe weather conditions (blizzards, snowfalls, floods) by providing special machinery and equipment.

Supporting schools

- providing funds for repair and improvement of material and technical base for general education schools and preschool institutions, purchase of school supplies for children from large families and low-income families.

Promotion of sports

- providing financial assistance to young athletes and winners of various intellectual academic competitions to participate in international competitions and contests.

Supporting healthcare

- acquisition of medical rehabilitation trainers for Daryinsk Social Services Center, charitable assistance to Disabled People Society;
- allocation of funds for children requiring treatment outside of Kazakhstan;
- financial support in organisation of the regional contest of the best health professionals of West Kazakhstan Region.

Civil duty: Payment to governments GRI 207-4

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

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

In 2023, a total of US$59.94m (in 2022: US$31.87m) was paid to governments by Nostrum and its subsidiaries. We will report on 2024 payments to governments in the first half of 2025. For more details, please see the Governance page of our website.

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

Economic responsibility: Spend with local suppliers GRI 204-1

We are committed to partnering with local companies and in 2023 we spent 74.89% (in 2022: 54.25%) of our supplier budget on RoK national suppliers. The increase in percentage is primarily attributed to the relatively lower restructuring advisor fees incurred in 2023 as compared to 2022. In addition, activities such as GTU3 re-start and appraisal programme on the Stepnoy Leopard fields, further contributed to the heightened proportion of spending on RoK national suppliers.

Environmentally friendly: Liquidation fund contribution

Under the terms of the Chinarevskoye PSA, Nostrum is obliged to accumulate a cash reserve liquidation fund which by the end of the PSA should total US$12.0m earmarked for the elimination of environmental consequences of our operating activities. At the end of 2023, US$8.6m had been accumulated (2022: US$8.2m).

High ethical standards: Anti-Corruption and Bribery Policy

For more information on the Group's Anti-Corruption and Bribery Policy, please see page 92.

Environment

Nostrum acknowledges its environmental footprint and is committed to transitioning to a more sustainable energy mix. Our primary focus is on operating responsibly, structuring our activities to minimise negative impacts on the environments in which we operate. We adhere to the environmental regulations of RoK, which are aligned with international standards, and we are actively pursuing initiatives to reduce emissions and waste. In 2023, there were no fines or sanctions against the Group for non-compliance with environmental regulations. Furthermore, we recognise the importance of climate change and are committed to mitigating our greenhouse gas emissions.

Climate change

Nostrum acknowledges the extent and significance of its operational impacts and aligns them with the significance of sustainable use of natural resources, environmental preservation and mitigation of climate-related risks.

As a producer, our operational activities contribute to greenhouse gas (GHG) emissions, and we recognise the responsibility to minimise our impact on the climate in a responsible manner. Reducing emissions is a corporate goal of top importance.

We understand that hydrocarbon exploration and production significantly contribute to GHG emissions, and therefore, we are committed to addressing climate change. In 2023, one of our primary corporate social responsibility goals was to minimise the impact of our operations on climate change, which continues to be a key focus for Nostrum.

Nostrum organises its operations to adhere to the emissions limits specified in the Environmental Emissions Permit issued by Kazakhstan and establishes internal targets that are significantly stricter than those approved by the authorities.

When applying for an Environmental Emissions Permit, preliminary standards for maximum permitted emissions are determined, based on the previous 2-3 years of historical data.

The Board is responsible for ensuring that Nostrum complies fully with Listing Rule 14.3.27R and Listing Rule 9.8.6R(8) in this annual report. Moreover, the Board is also responsible for the governance, strategies, risk assessment, management systems and KPIs relating to climate change and GHG emissions.

GHG emissions reporting approach

GRI 305-1, 305-2

Nostrum seeks to minimise all GHG emissions and remains committed to investing in new technologies to enhance its GHG emissions performance. Nostrum fully complies with GHG emission regulations in the UK and Kazakhstan and has been monitoring and reporting GHG emissions since 2011.

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

The Company's GHG reporting period is aligned with the period in respect of which the Directors' Report is prepared.

The majority of our emissions stem from the combustion of fuel gas within gas turbine units, boilers, process heaters, and compressors. Additional emissions occur during flaring, when no other alternatives are available. Our emissions levels are steadily decreasing year by year, excluding one-off items, as shown in the chart on page 66.

According to the new 2022-2025 Kazakhstan National GHG allocation Plan, 206,650 tonnes of CO_2e were allocated to Nostrum. Our actual CO_2 emissions in 2023 were 176,277 tonnes and our actual GHG emissions in CO_2 equivalent were 180,157 tonnes, which include three other gas types as provided in Table 5 on page 72.

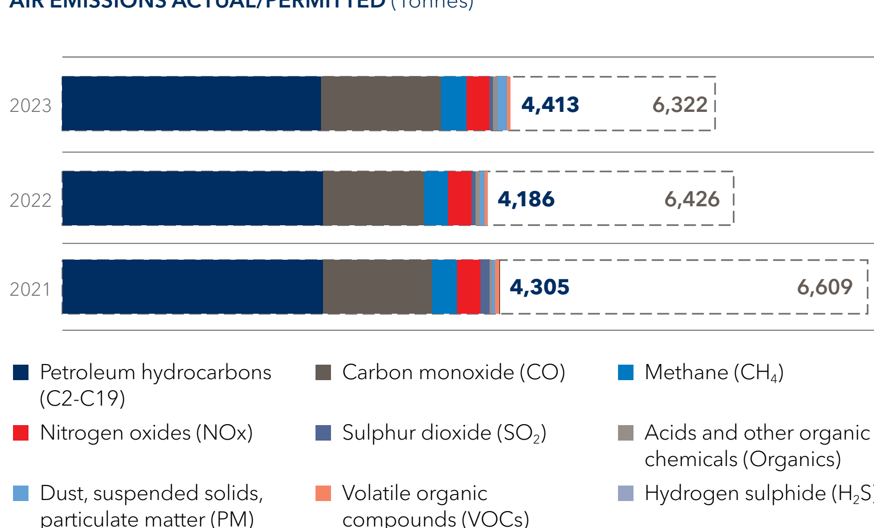
It is important to note that an active energy policy with the implementation of many initiatives was conducted during 2023, however several crucial moments influenced the increase in emissions in the second half of the year. While flawless hot commissioning and re-start of third technological gas treatment line in terms of quality and safety took place, since August the increase in emissions was inevitable due to the larger amount of equipment in operation and significantly higher fuel consumption requirement. In addition, since the 19th of December, the Company received the first gas from Ural O&G for processing, this third party feedstock has also contributed to the higher fuel consumption.

More detailed information on GHG emissions in 2023 are presented on pages 70–72.

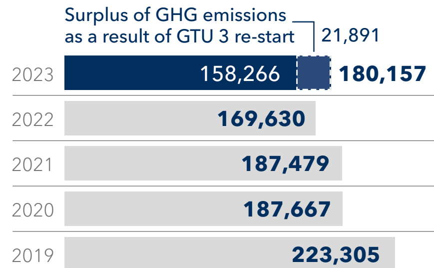
As part of the RoK regulations on production and emission reporting as well as for improving the transparency of all related business processes and KPIs monitoring, in the first half of 2023, Nostrum has completed expansion of its "Automated Reporting System phase III" ("ARS") by including approximately 1,000 "tags" in the process calculations, allowing real time readout of data.

Environment continued

AIR EMISSIONS ACTUAL/PERMITTED (Tonnes)



GHG EMISSIONS FOR SCOPE 1 & SCOPE 2 (tCO_2e)



Package for ARS Phase III Project included Operational Intelligence Environment on the following systems which has referenced as Inside Battery Limits (ISBL) units within the Chinarevskoye Field (Data related to Production reporting and GHG/emissions Modules):

- Gathering System;
- Gas Lift System
- GTU-1/2
- OTU

Commissioning and start-up of phase III has been performed successfully, however, modules calibration that was expected in Q3 2023 was not accomplished fully due to hydrocarbon feed-stocks transfer to GTU-3 and addition of Ural O&G third party feed-stock (out of ARS phase III scope). To be ready, we proceeded to train personnel and prepare for phase IV.

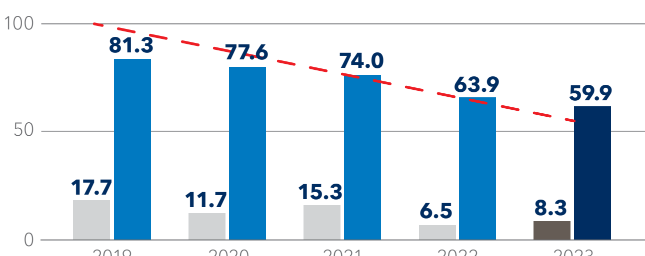
The fourth phase is ongoing and predicts the build up and running of full scale live Chinarevskoye field modules, adding and integrating Ural O&G third party feed stock and GTU-3 plant data into the existing system. In parallel, work is underway to introduce additional functionality with scope based on new government requirements regarding full gas balances, Sulfur Recovery Unit and CEMS (Continuous Emissions Monitoring System) data (gas turbine exhaust system) into its reporting portal.

Current and future GHG reduction initiatives GRI 305-5

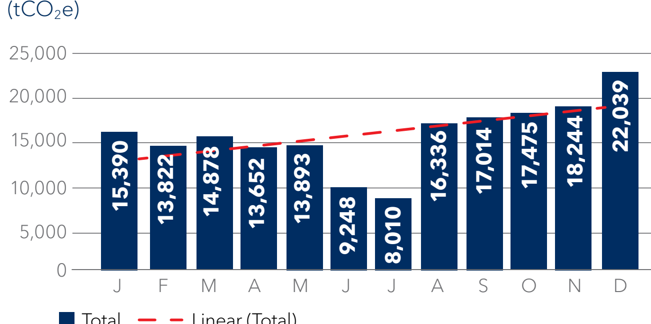
Nostrum continues to invest in current and future technological advancements in order to effectively detect, monitor and prevent GHG emissions. The Company has the following technology in place to proactively monitor, limit and reduce its GHG emissions:

- 397 methane detectors to monitor equipment maintenance and pressure valve replacement exercises;
- Mobile methane detectors in gas flowlines;
- Use of cross exchangers in all Gas Treatment Units to pre-heat cold streams entering a heated process system by use of heat from hot streams exiting the system and requiring cooling;
- Waste heat recovery system at CGTU-3 – exhaust gases from the compressor units are used for heating the buildings and preheating the utility fluids in the plant, resulting in reduced fuel gas consumption;
- Vapour Recovery Systems (VRS) installed in oil and condensate tanks to inhibit hydrocarbon evaporation during storage and transfer;
- Hydrocarbon Recovery System (HCRS) installed in LPG loading terminal to prevent hydrocarbon ‘bleeding’ into the atmosphere;
- 26 MW power station generates electricity for use in the field and therefore limits the use of diesel-powered heaters;

GAS UTILISATION AND FLARING
(MCM)



ACTUAL GHG EMISSIONS 2023
(tCO_2e)



- Well stock has local skids that will automatically shut-in the well bore to prevent full blowdown of the surface lines and resultant GHG emissions;
- CEMS (Continues Emission Monitoring System) has been successfully installed at Gas turbine unit 26MW in 2023. CEMS integration into the ARS through corporate network and related SIT (Site Integration Test) to be conducted in H1 2024 following with data integration in government AEMS (Automated Emission Monitoring System);
- Installation of automated flowmeter-measurement on flare-lines on Oil Treatment Unit successfully completed in Q4 2023.

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

- Well automation flaring prevention on three wells during processing – 1,983.61 tCO_2 e /year;
- Electric driven LPS compressor instead of fuel gas driven – 1,697.76 tCO_2 /year;
- Waste Heat Recovery project at GTU-3 with an annual GHG reduction of 2,072 tonnes of CO_2;
- Flaring reduction to the minimum due to proper production optimisation management, real time production monitoring and by shutting down the wells during any intervention with annual GHG reduction 4,000+ tonnes of CO_2. It should be noted that GTU-3 hot commissioning/re-start and acceptance of Ural O&G third party feedstock have been done seamlessly with almost absence of hydrocarbons flaring and additional carbon footprint thanks to good preparation and execution of subject processes;
- Implementation of some smaller initiatives took place in 2023 as well: Replacement of existing light sources with more efficient ones, automatisation of hot water boilers in field buildings, improvement of thermal insulation of the field pipelines and boiler system piping.

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

- Full asset digitalisation – Integrated production accounting and GHG emission quantification tools that give a holistic view of the entire hydrocarbon value chain as well as forecasting capabilities. Support digital transformation initiative of our assets;
- Perform digitalisation of all our assets and business processes, data collection and reporting systems by 2026;
- Perform Digital transformation of our company, by 2035;
- Several projects that aim reduction of the fuel gas consumption are being evaluated targeting substantial reduction of GHG Emissions and None GHG Air Emissions: Installation of a Waste Heat Recovery Boiler for amine regeneration heat and technology line requirements;
- To reduce our dependence on fossil fuels by investing in renewable energy, the company is currently investigating the different options like application of thin-film PV (Powerfoil) as solar solution for storage tanks and roofs.

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

In order to further reduce GHG emissions, employees working at production facilities are transported via buses instead of using personal vehicles.

Nostrum is also considering various additional GHG reduction initiatives for 2024 and future years.

Environment continued

Climate disclosures

In 2023, we participated in the CDP (formerly Carbon Disclosure Project) for the fifth year in a row, a key medium for companies to disclose their environmental impact and risk management as well as continue to focus on GHG emission reduction strategies. An independent assessment of our Climate Change response led to Nostrum achieving a "B-" score for the second consecutive time since joining the project. The Water management section also received a "B-" rating, consistent with our 2022 score. These scores enabled us to meet our 2023 KPI target, elevating our status from the previous Awareness Band ("C/C-" score) to the Management Band ("B/B-") in the Climate Change module. The result also demonstrates that the policies and procedures we have developed in recent years are positioning the Company to effectively address the issue of climate change in the present and future. Furthermore, our "B-" score places Nostrum ahead of the average "C" score of its' peers in the oil and gas industry.

Decommissioning

According to the regulations on subsoil use, it is required that all production facilities owned by subsoil users and the associated land be brought to a condition that ensures the safety of life, public health, and environmental protection. Furthermore, the consequences of subsoil users' activities must be resolved as outlined in the legislation of the Republic of Kazakhstan. The closure of subsoil use objects follows the guidelines laid out in a Liquidation Project, which is prepared by a design organisation holding a valid license for environmental protection services. All necessary decommissioning actions are detailed in the Liquidation Project created by NIPI Neftegas.

Waste, water and soil management

Nostrum's operational activities are subject to thorough environmental monitoring, which includes detailed management systems for waste, water, and soil. The company conducts testing of air, soil, and sub-surface water to ensure compliance with sanitary and epidemiological standards as stipulated in Kazakh legislation.

Nostrum consistently monitors its regulatory responsibilities and is equipped with systems to monitor and report on these obligations and commitments through regular environmental assessments of waste, water, and soil at the Chinarevskoye field.

Waste management GRI 306-1, 306-3

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

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

- West Dala LLP
- Help Ecoil LLP
- TuranPromResurs LLP
- Oral Tazalyk KZ LLP

In 2023, the volume of waste generated at the Company's facilities totalled 2,747 tonnes, consisting of 40 different types of industrial (used filters, cartridges, medical wastes, batteries, etc.) and domestic waste (plastic bottles, used paper), 46% of which was transferred for processing by the above mentioned companies.

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

Year	2020	2021	2022	2023
Waste generated, tonnes	2,151	2,876	2,865	**2,747**
Transferred for processing, tonnes	1,496	2,699	2,462	**1,262**
Transferred for processing, %	69.50%	93.80%	85.93%	**45.95%**

Water management GRI 303-1, 303-2, 303-3

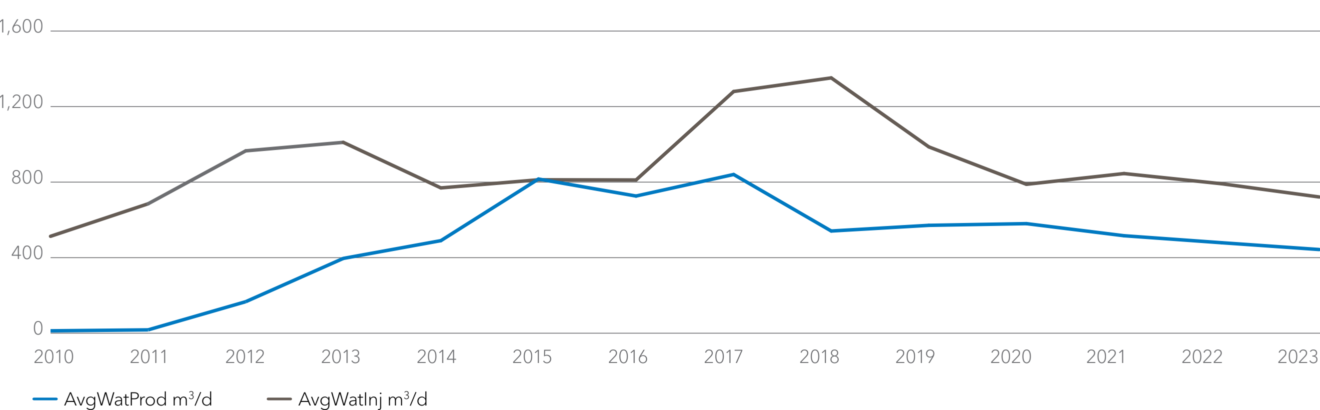
In meeting our environmental responsibilities, we recognise the importance of water resources in areas with limited water supply, and we acknowledge the importance of having access to fresh water.

It is paramount for us to effectively manage water consumption and we strive to deploy the most efficient water management techniques to handle fresh water in a balanced and sustainable manner. We seek to fully understand and minimise our operational water footprint and manage our activities in a way that protects our shared water resources.

We aim to comprehensively minimise our operational water footprint while safeguarding our shared water resources. We are dedicated to establishing robust water management practices across all our assets and conduct thorough assessments, target setting, monitoring, and corrective actions.

FORMATION WATER PRODUCTION AND AVERAGE DAILY WATER PROFILE

(MCM)



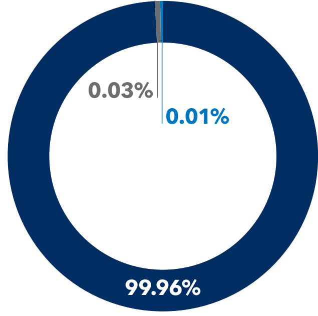
Nostrum's water injection requirements are up to 1,200 m^3 per day (average injection approximately 700-800 m^3 per day), of which 400-550 m^3 per day are injected from formation water production. The deficit is compensated through production from water wells. None of these water wells competes with fresh water supply to nearby communities. Five out of seven injectors are currently in operation with one disposal well used as a backup. The current system has sufficient capacity and flexibility to handle forecast water injection volumes.

The Company has initiated a series of measures to improve formation water treatment and injection processes. These measures include focusing its resources on process improvement in the treatment of water used in upstream operations which will lead to combating corrosion, reducing oil contamination, reducing growth of sulfate, reducing bacteria and the formation of inorganic scale. A full review was initiated in 2021-2022 on process effectiveness and chemical efficiencies and mitigating actions taken ensure compliance with Kazakhstan's environmental regulations and has the additional benefit of reducing water treatment costs.

Water Treatment & Injection System Upgrade Phase I project has been completed, achieving some modest improvement by modifying injection points of applied chemicals and adding a second water storage tank (less suspended solids in water). Field trials by different vendors did not provide expected results. Project phase II has been initiated in 2023 scoping low-cost modification/adjustment of the existing treatment system. Longer term options will follow after further review.

WATER WITHDRAWALS – VOLUMES

(%) by source



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

Phase II has foreseen modification inside the existing Oil Treatment Unit – utilisation of condensate storage tank V-32220 as water settlement tank. The following was used as background information:

- confirmed better injected water quality by this option in 2018. It is expected further improvement, unlike in 2018, two water storage tanks would now be used for separation and oil skimming, and a new 5000 m^3 tank for sedimentation. Provides sufficient capacity for future third party water addition.
- much better performance of downstream equipment, no danger of fines related oil and suspended solids as proactive results driven approach will be demonstrated.
- ESG friendly solution – less waste (oil sludge) generation and utilisation, less volatile HC evaporation.

Currently testing of results is ongoing accompanied with fine tuning of technology. Preliminary good results have been achieved.

Wastewater discharges GRI 303-4

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

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

We have the following artificial ponds:

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

Environment continued

Disposal of Domestic and Sanitary Wastewater in 2020-2023

	2020		2021		2022		2023	
Disposal indices	Permitted	Actual	Permitted	Actual	Permitted	Actual	Permitted	Actual
Disposed Sanitary Wastewater, m^3	85,775	25,090	85,775	26,188	85,775	26,191	58,100	26,820
Discharges to ponds evaporators, m^3 GTU-1,2,3	84,810	21,398	84,810	22,338	84,810	44,748	84,810	43,059
Drilling wastewater and associated water, m^3	45,900	1,740	45,900	4,573	35,000	2,757	4,572	2,787

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

Energy and resource efficiency policy and methane emissions management policy

The Company strives to use energy in the most efficient, cost effective, and environmentally responsible manner possible. Nostrum committed to consider energy efficiency as a factor in production operations development, in process and facility design and in the procurement of goods and services, whether it is further development of existing assets, appraisal of new upstream assets or midstream tiebacks.

In 2023, the Company has demonstrated full compliance to active Energy Management. During 2023, the Company published the "Methane Statement" and developed an "Energy Efficiency report" with short, medium and long term ESG targets. Nostrum continues to review and expand on metrics for reporting environmental, social, and governance (ESG) performance. A set of short/long-term actions with accountable metrics and interim targets has been established in 2023 addressing all areas and entities of energy efficiency improvement. Additionally, the Company developed an "Energy Management Policy" which includes not just regulatory compliance requirements, but striving towards achieving lower carbon targets.

Based on 2023 approved project list and production forecast:	2021	2022	2023	2024	2025	2026
Projected specific GHG emissions (Sc1+Sc2) tCO_2e per kboe of production feed-stock	29.5	34.6	47.2	30.0	30.0	30.0
Projected specific Air emissions t per kboe of production feed-stock	0.7	0.9	1.2	0.7	0.7	0.7
Projected specific waste generation t per kboe of production feed-stock	0.5	0.6	0.7	0.5	0.5	0.5

Renewable energy use GRI 302-1

In 2023, in accordance with the Rules of Determination of Rate for Support of Renewable Energy Resources (RES), Nostrum purchased 1,015 thousand kWh of electricity from environmentally safe RES for own needs, representing 1.15% of Nostrum's total electricity consumption. The RES are provided by "Settlement and Financial Center to Support Renewable Energy Sources" LLP.

Table 1: Volume and % of renewable energy use

Year	Total energy use, kWh	Renewable energy use, kWh	% of renewable energy use
2018	155,938,801	536,242	0.34%
2019	110,007,715	2,122,070	1.93%
2020	97,611,929	2,064,228	2.11%
2021	93,236,708	2,156,969	2.31%
2022	92,702,024	1,580,212	1.70%
2023	**88,440,944**	**1,014,826**	**1.15%**

In 2024, we will continue to take action for developing renewable energy sources of energy saving and energy efficiency.

GHG emission results GRI 305-1, 305-2

Kazakhstan signed the Paris Agreement on August 2, 2016 and ratified it on November 4 of the same year. All Parties to the Paris Agreement have their own commitments to reduce greenhouse gas emissions. Kazakhstan has set itself an ambitious unconditional goal – by 2030 to reduce greenhouse gas emissions by 15% from the 1990 level. In February 2023, Kazakhstan adopted a strategy to achieve carbon neutrality by 2060, which outlines a series of essential measures aimed at reducing emissions and achieving de-carbonisation in the economy.

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

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

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

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

Direct GHG emissions (Scope 1) sources are flares, heaters, incinerators, boilers, gas turbine plants, electric power stations and compressors.

Total direct GHG emissions (Scope 1) subdivided by gas types and by sources are summarised below in Tables 2 and 4. No further ecological data is available for publication. Consequently, additional disclosures in relation to materials used, products and services, waste management, water consumption, energy consumption and energy efficiency, emergency and intermittent pollution episodes, wastewater discharges, atmospheric emissions of greenhouse gases and other pollutants, environmental protection and biodiversity are not possible.

The Company carried out works on preparing an analysis and calculations for Scope 3 GHG emissions for three categories "Waste generated in operations" – 289 tons of CO_2, "Capital goods" – 150 tons of CO_2 and "Goods and Services" – 1,430 tons of CO_2. (352 tons of CO_2 for one category in 2022). In total Scope 3 emissions were in amount of 1,868 tons of CO_2. This is the Company's second step in disclosing Scope 3 emissions. Detailed results of Scope 3 calculations will be covered in CDP submission for 2023.

Table 2: Scope 1 GHG emissions subdivided by gas type (tCO_2e)

	2016	2017	2018	2019	2020	2021	2022	2023
Carbon dioxide	195,453	242,276	244,379	213,520	180,527	180,922	165,995	**176,277**
Methane	10,817	10,723	8,436	8,429	6,133	5,614	3,600	**3,824**
Nitrous oxide	1,046	1,305	1,304	1,034	917	903	7	**11**
Hydrofluorocarbons	34	28	37	25	28	28	23	**23**
Total	207,350	254,332	254,156	223,008	187,599	187,467	169,625	**180,136**

A breakdown of GHG emissions by gas type is shown in Table 2. The GHG emissions predominantly consisted of carbon dioxide and methane. Scope 1 emissions are generated directly by equipment owned and operated by the Group. The equipment includes boilers, heaters, diesel stations, gas turbine units and compressors. Scope 1 emissions also include flaring and hydrofluorocarbons emitted by refrigeration units and climate control systems, such as air conditioners.

Table 3: Scope 3 GHG emissions subdivided by categories (tCO_2e)

	2022	2023
Waste generated in operations	352	**289**
Capital goods	n/a	**150**
Goods and services	n/a	**1,430**
Total	352	**1,869**

Table 4: Scope 1 GHG emissions subdivided by source types (tCO_2e)

	2016	2017	2018	2019	2020	2021	2022	2023
Stationary combustion	195,576	243,001	245,362	214,536	181,403	181,765	166,284	**176,954**
Mobile combustion	758	435	105	89	66	86	112	**48**
Fugitive sources	11,016	10,896	8,536	8,359	6,130	5,616	3,229	**3,134**
Total	207,350	254,332	254,003	223,008	187,599	187,467	169,625	**180,136**

Stationary combustion sources formed the majority of emitted GHGs.

Indirect GHG emissions (Scope 2)

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

Environment continued

Total direct and indirect GHG emissions (Scope 1 and Scope 2) and total GHG emissions are summarised in Table 5.

Table 5: Scope 1, Scope 2 and total GHG emissions (tCO_2e)

	2016	2017	2018	2019	2020	2021	2022	2023
Direct energy (Scope 1)	207,350	254,332	254,156	223,008	187,599	187,467	169,625	**180,136**
Indirect energy (Scope 2)	2,263	640	559	297	68	12	5	**21**
Total	209,613	254,972	254,715	223,305	187,667	187,479	169,630	**180,157**

Emissions intensity ratio GRI 305-4

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

Table 6 shows intensity ratios for total (Scope 1 and Scope 2) emissions in the period 2016-2023.

Table 6: Emissions intensity ratios for total GHG emissions

	2016	2017	2018	2019	2020	2021	2022	2023
Production, tonnes of oil equivalent (toe)	2,156,171	2,088,917	1,878,026	1,520,928	1,186,383	907,648	703,430	**537,740**
tCO_2/toe	0.097	0.122	0.136	0.1	0.2	0.2	0.2	**0.3**
Production, mmboe	14.8	14.3	12.9	10.0	8.1	6.2	4.8	**3.6**
tCO_2/mmboe	14,193	17,820	19,801	21,434	23,094.8	30,157	35,207	**48,913**

Table 7: Global GHG emissions and energy use data

	2019	2020	2021	2022	2023
Gross emissions of air pollutants into atmosphere	0.0037	0.0035	0.0048	0.0060	**0.0082**

	Current reporting year 2023		Comparison reporting year 2022	
	UK and offshore[1]	Global (excluding UK and offshore)	UK and offshore[1]	Global (excluding UK and offshore)
Emissions from activities which the Company owns or controls, including combustion of fuel & operation of facilities (Scope 1) tCO_2e	**No data collection**	**180,136.0**	No data collection	169,625.0
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2, location-based) tCO_2e	**No data collection**	**20.7**	No data collection	4.9
Total gross Scope 1 + Scope 2 emissions tCO_2e	**No data collection**	**180,157.0**	No data collection	169,629.9
Energy consumption used to calculate Scope 1 emissions: kWh	**No data collection**	**No data collection**	No data collection	No data collection
Energy consumption used to calculate Scope 2 emissions: kWh	**No data collection**	**No data collection**	No data collection	No data collection
Total energy consumption used to calculate Scope 1 and Scope 2 emissions: kWh	**No data collection**	**377,095,765.4**	No data collection	377,037,468.4
Intensity ratio: tCO_2e (gross Scope 1 + 2)/ mmboe	**No data collection**	**47,616.0**	No data collection	35,207.0
Methodology	**No data collection**	**Kazakhstan methodical guidelines. KwH calculated based on 1.36E+15 J own generated energy plus purchased electricity.**	No data collection	Kazakhstan methodical guidelines. KwH calculated based on 1.36E+15 J own generated energy plus purchased electricity.
Principal measures taken for the purpose of increasing the Company's energy efficiency.	**None**	**None**	None	Nostrum replaced oil heaters with heaters powered by gas; installed devices at well-sites to automatically close the wells in the case of shutdown, preventing blowdown by flaring; and installed measuring devices in flowlines and other devices allowing for future optimisation. Following an energy efficiency audit, Nostrum replaced 115 fluorescent lamps with LED lamps.

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

In-process control, monitoring and health protection

The primary focus of the Company is to adhere to all legal regulations in the Republic of Kazakhstan concerning environmental protection, labour conditions at production facilities, and health protection. In this respect, Nostrum conducts ongoing monitoring and control across various areas.

Industrial environmental monitoring (IEM) and control

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

Ambient air sampling Industrial emissions measurements

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

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

In-process control in canteens

Quarterly inspections are carried out in Nostrum canteens, during which samples of prepared meals, salads, wash water, and water are collected for bacteriological and chemical analysis. Additionally, assessments of lighting, workplace microclimate, noise levels, and ventilation system operations are conducted. Any instances of non-compliance are addressed through corrective actions, such as replacing lighting equipment, repairing air conditioners, and installing a new bactericidal lamp in the water treatment system.

In-process control of labour conditions at production facilities

To identify any discrepancies in the workplace, assessments were conducted to measure air quality, lighting, microclimate, noise levels, vibrations, electromagnetic fields, and power stations. Specialised contractor companies with the required permits and accreditation certificates were responsible for conducting these necessary measurements and investigations at Nostrum facilities. The results of the in-process control are reported to the relevant regulatory authorities, and an industrial environmental control report is uploaded to an electronic environmental portal.

Non-financial and Sustainability information statement

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

Reporting requirements	Policies and standards which govern our approach	Information necessary to understand our business and its impact, policy due diligence and outcomes
Environmental matters	Annual environmental objectives	Environment, pages 65-73
	Liquidation fund contribution in accordance with the PSA	Communities and social review, pages 64
Employees	Group Code of Conduct and Human Rights	Our people, pages 60-63
	Whistleblowing policy	Health and safety, pages 55-59
	Health and Safety policy	Total Recordable Injury Frequency, page 55
Respect for human rights	Modern Slavery Statement	Our people, pages 60-63
	Equality and Diversity Policy	
Social matters	Sponsorship of community events	Communities and social review, pages 64
Anti-corruption and anti-bribery	Anti-corruption and bribery policy	Communities and social review, pages 64
	Anti-facilitation of tax evasion policy	Our Governance Framework, pages 90-92
	Payments to governments	
Description of principal risks	Principal risks and uncertainties, pages 34-38	
Description of the business model	Business model, pages 10-11	
Non-financial key performance indicators	Key performance indicators, pages 22-23	
	Our strategic priorities, pages 18-19	

TCFD Recommendation	TCFD Recommended Disclosure	Where reported
Governance Disclose the organisation's governance around climate related risks and opportunities.	a) Describe the board's oversight of climate-related risks and opportunities.	• Page 75
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	• Page 76
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	• Pages 77
	b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning.	• Pages 78
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	• Pages 79
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks.	a) Describe the organisation's processes for identifying and assessing climate-related risks.	• Page 80
	b) Describe the organisation's processes for managing climate-related risks.	• Page 80
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	• Page 80
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with risk management process.	• Page 81
	b) Disclose Scope 1, Scope 2 and if appropriate, Scope 3 GHG emissions, and the related risks.	• Page 81
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	• Page 81

Climate-related Financial Disclosures

We continued our journey of improving our disclosures and reporting in order to adhere as much as possible to TCFD's recommendations, taking into account Nostrum's operations and strategies.

TCFD Statement

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

We have made below disclosures against each TCFD Recommendation and Recommended Disclosure – noting where the Company is in full or partial compliance or where further work is planned to be undertaken to report in the 2024 Annual Report & Accounts.

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

Governance

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

Read more about our strategy on pages 18-19.

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

Following are some examples where the Board and its committees considered climate-related issues in 2023 and 2024 to date:

Board of Directors

The Board and its committees, where appropriate, have oversight of climate-related matters, which include climate risks and opportunities. Material issues and principal risks, including climate change indicators, are reviewed by the Board and committees.

Monitoring and performing management

The Board recognises that there may be potential financial implications in the future from changes in legislation and regulations intended to address climate change risk. In relation to these matters the Board also:

- Reviews material issues and principal risks, including climate change indicators;
- Sets general policy related to climate risks and opportunities, identifies where further actions are required and delegates authorities accordingly;
- Approves material issues and principal risks, including climate change indicators and progress against those KPIs monitored. See pages 18-19 on Company KPIs and pages 103 and 108, where CEO KPIs include GHG emissions related targets.

Risk Management

ESG matters are integrated in each applicable area covered by the Group's systems of risk management and internal controls, and the Board recognises their significance and importance. Further details on the identified ESG risks and related responses are disclosed within "Principal risks and uncertainties" section on pages 34-38.

The Management is responsible for ensuring that systems of risk management and internal control are in place to effectively manage and monitor climate-related risks and other ESG matters. Periodic updates are provided to the Board on such risks and relevant mitigating actions.

Capital or operating expenditure

Capital and operating expenditures, which are relevant to mitigating climate-related risks and other ESG matters, are budgeted and given highest priority in execution.

Audit Committee

Following areas of the Audit Committee responsibilities are relevant for the climate-related matters:

- Oversight of management's process for identifying ESG risks and internal controls processes to ensure the accuracy and completeness of ESG information;
- Monitoring of the performance against agreed and defined KPIs in respect of the Group's ESG financial reporting disclosures and seeking independent assurance on behalf of the Board, where appropriate;
- Review of the Company's disclosures in the annual report in relation to the TCFD Disclosures and climate-related emerging risks.

Read more on pages 93-98

Strategy Committee

Emerging risks are identified, assessed and monitored at the HSE and ESG Committees led by CEO, and further escalated by CEO to the Strategy Committee of the Board, where necessary.

The Strategy Committee is responsible for advising the Board on short-term, medium-term and long-term strategic decisions of the Company (horizons defined on page 78), including following activities relevant for addressing climate-related risk and other ESG matters:

- Supporting the Board and Senior Management in formulating the overall strategy for the Company, with particular emphasis on horizon scanning, priorities, activities and outcomes.
- Considering reports on overall performance in respect of the achievement of the objectives and outcomes contained within the Corporate Strategy.
- Reviewing determined KPIs to assess performance with respect to the Group's strategy.

Read more on pages page 87

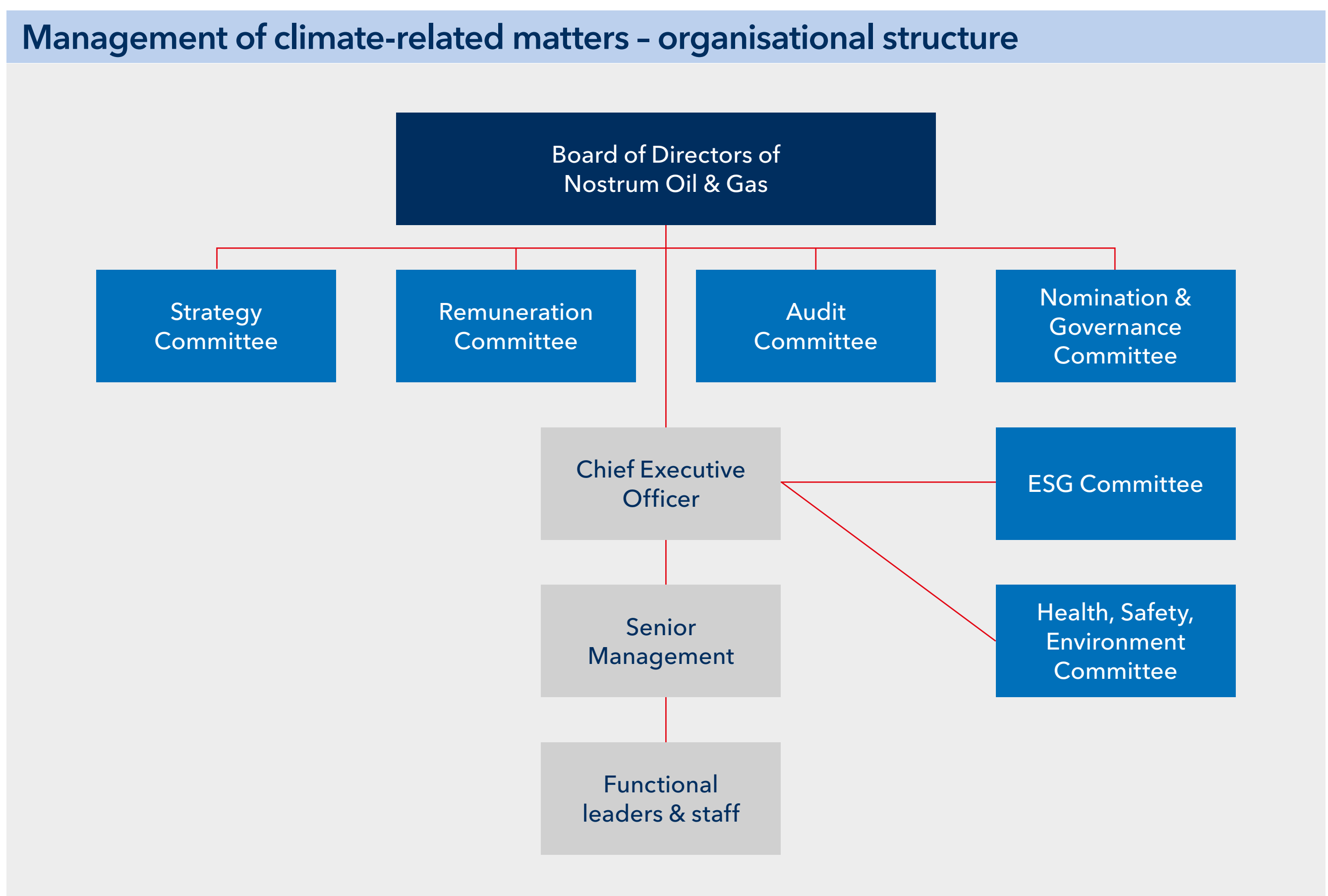
Remuneration Committee

Annual KPIs relating to climate change and emissions targets are approved by reviewed by the Remuneration Committee and upon its recommendation approved by the Board. The progress against those KPIs monitored and reported to the Remuneration Committee and the Board. See pages 101-108 for more details.

Read more on pages 100-115

Governance continued

Management of climate-related matters – organisational structure



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

Since the completion of the bond restructuring in early 2023, the newly formed HSE and ESG committees deal with various matters including among others climate-change related issues and execution of ESG-related targets and projects. Both committees are sponsored and chaired by the Chief Executive Officer, with meetings held prior to each Board meeting.

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

The Chief Executive Officer, Chief Operating Officer and Group Head of QHSE together with appropriate operational staff meet at least four times a year at HSE Committee meetings. The committee monitors all HSE matters including those relating to climate-change, monitoring and reducing emissions, progress against KPIs, water and waste management, compliance with RoK statutory emissions, the climate-related impact of any significant capex or operating expenditure and identifying and agreeing on the course of action on climate-related initiatives, including energy reduction/transition, emission management and prevention of unnecessary flaring.

The HSE Committee also assesses preparedness and ensures focus in respect of statutory reporting requirements and changing legislative environments and investor requirements in the UK, Kazakhstan and internationally. Climate-related matters discussed at the HSE Committee drive climate related KPIs proposed by management to the Board (see pages 103 and 108 for more details).

The Company also considered the climate-related matters in the process of due diligence prior to acquisition of the Stepnoy Leopard field, and given the limited prior activities on these fields, there was not sufficient basis to make assesements material climate impact. After the acquisition, the entity and the fields are integrated into the Group systems of controls and procedures on all matters, including climate-related disclosures.

Strategy

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

Read more about our strategy on pages 18-19.

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

The Company's principal risks and uncertainties as described through the risk management process as described on pages 32-38. In the context of those key risks, the following climate-related transition and physical risks as well as opportunities were identified as relevant to Nostrum. Given that there were no significant changes in the Company's principal risks and uncertainties, the climate-related risks have also remained largely unchanged compared to previous reporting period.

Policy and legal risks which Nostrum is facing are similar to other players in the oil & gas industry:

- Changes in state regulations may lead to increased costs for the business through carbon taxes, punitive flaring fines or outright bans, as well as potential additional costs for litigations relating to climate change.
- New and evolving RoK reporting obligations may lead to higher compliance costs.
- Risks of early asset retirement due to certain policy changes, such as emissions targets making it impossible to continue operations, or carbon pricing making operations commercially unviable.

We believe these risks are relatively low in the short-term but become more material over longer horizon as the global movement towards net zero strengthens.

In addition, according to our materiality assessments under ESG umbrella, the GHG emissions and gas flaring were identified as significant climate-related topics. These areas may pose potential risks to Nostrum's business and stakeholders due to penalties for permit violations and non-compliance with environmental legislation.

Technology risks are considered relevant in the medium and long-term. As global and jurisdictional legislation evolves, we may need to allocate capital into emissions reduction investments such as carbon capture and storage, which may be non-value accretive, i.e. do not provide direct revenue, and therefore may impact the medium-long term value of the Company.

Market risks for the Company are mostly reflected in reduction in global demand for hydrocarbon products and volatility of product prices, which may directly impact our revenues, across all time horizons. In addition, increase in cost of raw materials due to climate-related supply disruptions may not only increase the cost base, but also cause delays and disrupt operations, which would lead to lost production and revenues. On the opposite, demand and product prices may remain at relatively higher than expected levels in the short and medium term, which may create opportunities for the Company to generate higher returns.

Reputational risks include risks of stakeholder concerns and disengagement as a result of the other climate-related risks, and also increasing difficulty in accessing capital markets for future growth opportunities. We believe these risks are less of a concern in the short-term since the Company has longstanding relations with its key shareholders and noteholders. However, these may become bigger risk in medium and long term.

Physical risks which may affect the Company and its operations include acute risks such as floods from local rivers and chronic risks such as severe rain and/or snow conditions.

As climate change continues on the path it is today, we believe these severe weather events may occur more regularly and during unexpected periods of time and may further impact the business operationally and financially. Today, we operate successfully in the middle of winter where temperatures on the ground can drop to -30C. Although, Kazakhstan has a sharply continental climate and large diurnal and annual temperature fluctuations, such temperature changes are usually gradual. However, if temperatures were to change sharply within short period of time due to climate change, this could impact operations negatively, e.g. by reducing equipment productivity due to overheating, increasing fire risk, or on the opposite causing thermal expansion of pipelines and systems due sudden extreme temperatures.

Seismic activity in Western Kazakhstan is relatively low, according to the Institute of Geophysical Research of the Republic of Kazakhstan and global seismic bulletins. Hence, risks of earthquakes affecting our business are considered low.

Further, flood events with overflowing riverbanks can severely impact our ability to transport LPG to the market and hence reduce our revenues.

Opportunities exist for the Company through resource efficiency and energy source. For the past several years the Company has been using own gas to generate electric power and using it for own operations. The Company is planning to continue this practice in the medium and longer-term to be as resourceful as possible. Financially, this saves us money by not purchasing electricity from the grid. As opportunities come up, the Company may look into investment in new technologies to become more energy efficient and reduce its GHG emissions.

From a resource efficiency perspective the Company looks into reduced water usage and consumption which can lead to reduced operating costs. Also making our offices more energy efficient has been identified as another initiative for the medium-to-long term, including improvements in the heating and lighting systems.

Strategy continued

The Board and Senior Management continuously monitor planning and decision-making processes over short-term, medium-term and long-term horizons, which also cover relevant climate-related risks and opportunities as described below.

Short term: three-year period to the end of 2026 over which the management and the Board monitor the Company's liquidity and viability. The Company has a detailed financial plan which is actively managed and adapted according to changes in external circumstances. The climate-related risks are deemed to affect the Company in the short-term but are not as prevalent as they would be in the medium and long term.

Medium term: eight-year period to the end of 2031, which covers the full term of the PSA and used in relevant valuation models. Climate-related risks are factored into these models, and scenario analysis are performed using various hydrocarbon prices and off-take demand scenarios to support the Board in decision-making for field investment proposals in line with the Group's strategy.

Long term: period covering beyond 2031. This is defined by opportunities identified in line with the Group's strategic initiatives, which are mostly affected by climate-related risks. These include risks associated with access to financial and capital markets as well as the ability obtain insurance, which may leave the Company exposed to extreme negative events. These other risks are further described below.

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

We acknowledge that the transition to a lower carbon economy presents both risks and opportunities for Nostrum. As described above, the impact on our short-term strategy and financial planning remains minimal, but we have in place the necessary flexibility to adapt as and when we see the risks evolve. In respect of medium term and long-term financial planning, we are cognisant of the climate-related risks and our ability to execute various projects. Hurdle rates have increased on various investment proposals with carbon intensity, stressed hydrocarbon price scenarios and energy demand scenarios are factored into decision papers.

With respect to physical risks, we have factored this into our strategic planning through extended and more frequent maintenance periods. This reflects a period of downtime during which operations and revenues cease.

We deem all transition risks (policy and legal, market, technological and reputation) to be material for the business in our strategic and financial planning. The transition risks, as outlined in (a) above, impact:

i. reduced demand and lower pricing for our final products – resulting in lower future revenues,

ii. higher supply and material costs in our supply chain as suppliers shift away from servicing the oil and gas industry leaving a small number of viable options,

iii. high investment spend relating to climate risk mitigation activities through increased spend on climate-related research and development and operationally through increased downtime due to extreme weather events.

All transition risks are provided in equal weighting in our future business, strategy and financial planning. For physical risks, while important from a governance perspective, we apply a slightly lower weighting in our planning. Whilst present, we deem the financial and operational impact to be lower as we currently operate successfully in extreme weather today and believe we will do so going forward.

We take a conservative approach in our forward planning and therefore do not factor in opportunities that may arise in the short, medium or long-term through climate change.

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

In our CDP Climate Change submission for 2023, we estimated the financial impact of several of the transition and physical risks outlined above. Our ambition is to upgrade the climate disclosure area and CDP rating for our Climate Change response and Water. Based on the results of the disclosure of data on the use and conservation of water resources the CDP climate rating has been improved to "B-" in 2022 from "C" in 2021, which is in line with the global industry indicator, and it was maintained at this level in 2023.

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

For the current year analysis and reporting on climate risk we studied various scenarios suggested by different international organisations and agencies and decided to refer Net Zero Emission by 2050 Scenario ("NZE Scenario") developed by the International Energy Agency, and also took into account Kazakhstan's Strategy on Achieving Carbon Neutrality by 2060. Nostrum considered the commitment of the government of the UK (where Nostrum is headquartered) to a net zero economy, but determined that such commitment was not relevant, because the overwhelming majority of Nostrum's emissions do not count towards UK emissions.

The Net Zero Emissions by 2050 Scenario is normative, in that it is designed to achieve specific outcomes – net zero emissions from the energy sector by 2050 without offsets from other sectors, an emissions trajectory consistent with keeping the temperature rise in 2100 below 1.5 °C (with at least a 50% probability) with limited overshoot, universal access to modern energy services by 2030 and major improvements in air quality – and shows a pathway to reach them.

As such, NZE Scenario outlines a course for attaining net zero emissions from the worldwide energy system by 2050, and assumes a transition based on three pivotal shifts across the global energy landscape: extensive electrification, unparalleled enhancements in energy intensity, and widespread international policy collaboration. In this scenario, the global economy shifts away from a predominantly fossil fuel-powered model to one primarily fuelled by renewable energy. Concurrently, the reduction in demand for oil and gas exerts downward pressure on prices.

As for Kazakhstan Strategy on Achieving Carbon Neutrality by 2060, it implies increase of the share of renewable energy sources in the country's total energy balance to 15% by 2030 and reduction of GHG emissions by 15% by December 2030, compared with 1990.

Taking these into account the company used the base-case scenario as described below, and a severe but plausible scenario for the purpose of testing its resilience across short-term and medium-term horizons:

1. Base-case scenario (high carbon climate scenario – more than 4°C) – business development that implies a gradual attainment of carbon neutrality, taking into account a moderate pace of economic decarbonisation. This case is considered consistent with the base-case scenario used in the viability assessment (see pages 39-40).
2. Severe but plausible development scenario whereby extreme changes happen in global economy and drastic measures are implemented towards Kazakhstan's achievement of NZE (very low carbon climate scenario – less than 1.5°C).

The base-case scenario involves implementing energy efficiency measures to achieve the goal of reducing greenhouse gas emissions each year by 5% of actual emissions compared to the previous year. This scenario includes a list of measures for energy efficiency improvement, among which are the implementation of projects such as assets digitalisation and Automated Reporting System implementation, automated emission monitoring system at emission sources, installation of automated flowmeter measurement on flare-lines on the Oil Treatment Unit, Water Production & Injection System planning, Water Treatment & Injection System upgrade, replacement of existing light sources with more efficient ones and trees planting.

For the purpose of severe but plausible development scenario aimed at stress-testing the company's resilience we used two major assumptions:

1. The first assumption centres around a downtrend in oil prices, which are projected under NZE Scenario to drop to US$42 per barrel by 2030 and further decrease thereafter, reaching US$25 per barrel by 2050.
2. The second assumption revolves around carbon prices, which were taken also from the NZE Scenario for emerging market and developing economies (without net zero emissions pledges), whereby carbon price are forecast at US$25 per tonne of CO_2 by 2030, US$85 per tonne of CO_2 by 2040 and US$180 per tonne of CO_2 by 2050.

We have examined various forecasts of carbon prices to stress-test our strategy. While analysing these forecasts, our focus has predominantly been on the NZE Scenario. Taking into account Kazakhstan's strategy aimed at achieving carbon neutrality goals, the most relevant reference point under NZE Scenario would be carbon price forecasts for emerging market and developing economies with net zero emissions pledges, under which, carbon prices are projected to rise significantly by 2030, reaching an average of US$90 per tonne of CO_2. However, according to the World Bank, the current carbon price in Kazakhstan is notably low, with projections indicating a carbon price of US$20 per tonne of CO_2 by 2030 would be necessary to achieve just over half of the abatement target.

Given the multitude of predictions regarding carbon prices, ranging from very high to relatively low, we have decided to apply the middle point in our modelling and settled on the carbon price forecasts under the NZE Scenario for emerging markets and developing economies without net zero emissions pledges.

These assumptions were applied to the three-year financial model to evaluate the resilience of Nostrum's strategy amidst the challenges and opportunities posed by climate change in the short-term pursuant to the NZE Scenario and the Kazakhstan Strategy on Achieving Carbon Neutrality by 2060. Building upon this evaluation, we also refer to the Viability Statement on pages 39-40 of this report, where we consider the resilience of the company to various principal risks and uncertainties.

Stressing our short-term financial projections for these high-level conservative policy measure assumptions demonstrates that the Company in the short-term is resilient considering a 1.5°C climate-related scenario. Furthermore, it is our view that the Company has a solid financial base and sufficient flexibility in its business plan to be able to adjust adequately to extreme climate-related impacts.

Our strategy is validated annually by the Board of Directors to ensure it remains relevant and resilient. Please refer to the Governance process for further details. The strategy will be adjusted if there are significant changes in the wider global environment.

Risk Management

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

Read more about our risk management on pages 32-33.

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

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

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

Nostrum has a robust governance structure through which climate-related risks are identified and managed. Specifically, the ESG and HSE Committees are the conduit through which climate-related risk management is enacted. The ESG and HSE Committees operate under the principle of 5 pillars:

i. HSE leadership;
ii. rigorous incident investigation;
iii. process safety and asset integrity;
iv. contractor HSE management; and
v. environment and climate change including a commitment to reduce GHG emissions.

The fifth pillar is an integral part of our climate-related risk identification, assessment, and management process. Both classifications of climate-related risks (transition risks and physical risks) are considered as part of the process.

The ESG and HSE Committees oversee the design and implementation of systems of climate-related risk management and internal controls and manages and reports on risks.

The Group Head of QHSE supports the Chief Executive Officer in his oversight and monitoring role and performs management and reporting on the risks.

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

The processes described above are embedded into our overall Group Risk Management framework and form an integral part of Nostrum's risk management and internal controls system. We include "climate change risks" as a principal risk and uncertainty on our Company risk register (see page 37) thus allowing the ESG and HSE Committees to manage any identified risks. This risk covers both physical and transitional climate-related risks and is reviewed annually by the Nostrum Board of Directors.

The Company endeavors to constantly improve its systems of risk management and internal controls. However, considering relatively short period of time since the implementation of the above-mentioned committees and relevant policies and procedures in early 2023, the Company does not report any further material updates on these matters in this report.

Metrics and Targets

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

Read more about our risk management on pages 32-33.

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

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

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

Moving forwards, the Company intends to include carbon pricing into its economic evaluation of future investment opportunities both within Chinarevskoye and outside. Following a benchmarking analysis of our peers, majors in the sector and research on regional plans for carbon pricing, we will incorporate an appropriate carbon price (cost to the business) in our investment decisions – implicitly increasing the hurdle rate for project approvals. For more information, please see pages 66-72.

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

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

Scope 1 and Scope 2 GHG emissions have been reported on an annual basis in our Annual Report and Company website. The level of reporting has expanded in line with our commitment to being transparent to our stakeholders.

Furthermore, GHG emissions reporting is a State legislative requirement as required by the Republic of Kazakhstan (the country is in alignment with the GHG Protocol).

The Company in 2023, expanded its disclosure on Scope 3 and prepared an analysis and calculations for Scope 3 GHG emissions for three categories. In total Scope 3 emissions amounted to 1,869 tons of CO_2 ('Waste generated in operations' – 289 tons of CO_2, 'Capital goods' – 150 tons of CO_2 and Goods and Services' – 1,430 tons of CO_2). In 2022 Scope 3 emissions amounted to 352 tons of CO_2 for one category ('Waste generated in operations'). Detailed results of Scope 3 calculations will be covered in CDP submission for 2023.

In 2023 the Company reported total Scope 1 emissions in the amount of 180,136 tCO_2e and total Scope 2 emissions of 21 tCO_2e. For more information, please see pages 65-72 in the Strategic Report. With focus on reduction of emissions, it is our plan to continue to work with our contractors to identify energy efficient opportunities in their supply chain and assist them to implement sustainable initiatives. Internal focus is also placed on reducing emissions from business and commuting travel.

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

Nostrum is making efforts to not exceed the quota for greenhouse gas emissions set by Kazakhstan and sets this target as a KPI in the annual HSE plan in order to reduce the actual value of greenhouse gas emissions by 5% compared to the previous year. While our approved quota of GHG emissions for 2023 was 206,650 tonnes of CO_2, Nostrum set a goal of 5% year-on-year reduction of actual CO_2 in 2023. The actual CO_2 emissions in 2023 were 176,277 tonnes and our actual GHG emissions in CO_2 equivalent were 180,157 tonnes. The increase in emissions is explained is due to the re-start of GTU-3 during 2023 and, as a result, a higher fuel consumption requirement. For more information, please see pages 70-72.

In 2023 we significantly improved our ESG Risk Rating from the international agency Sustainalytics. Our current ESG Risk Rating is 30.1 which places the Company on the very low end of the "High Risk" category, and only 0.1 point separate us from the "Medium Risk" category on the ESG Risk Rating scale. Nostrum has scored amongst the top 20 companies within the Oil & Gas Exploration and Production industry assessed by Sustainalytics. In 2024 Nostrum plans to strengthen its ESG strategy around gas and cleaner energy mix to further improve the rating. See page 54 for more details.

We accept that the Group is on a journey towards net zero and will report through interim targets in forthcoming years.

We intend to be part of the solution for Kazakhstan's strategy to transition to cleaner energy and achieve carbon neutrality by 2060.

This strategic report is approved by the Board.

Arfan Khan
Chief Executive Officer

18 April 2024

Introduction to corporate governance

Section 1: Board leadership and company purpose

A successful company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society. See pages 84-85.

The Board establishes the company's purpose, values and strategy, and satisfies itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture. See pages 60-63, 18-19.

The Board ensures that the necessary resources are in place for the company to meet its objectives and measures performance against them. The Board also establishes a framework of prudent and effective controls, which enable risk to be assessed and managed. See pages 32-33.

In order for the company to meet its responsibilities to shareholders and stakeholders, the Board ensures effective engagement with, and encourages participation from, these parties. See pages 20-21 and 86.

The Board ensures that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce is able to raise any matters of concern with the Board. See pages 60-63.

Section 2: Division of responsibilities

The chair leads the Board and is responsible for its overall effectiveness in directing the company. The chair demonstrates objective judgement and promotes a culture of openness and debate. In addition, the chair facilitates constructive Board relations and the effective contribution of all non- executive directors, and ensures that directors receive accurate, timely and clear information. See pages 90-92.

The Board includes an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the Board's decision-making. There is a clear division of responsibilities between the leadership of the Board and the executive leadership of the company's business. See pages 90-92.

Non-executive directors should have sufficient time to meet their Board responsibilities. They provide constructive challenge, strategic guidance, offer specialist advice and hold management to account. See page 90-92.

The Board, supported by the company secretary, ensures that the company has the policies, processes, information, time and resources it needs in order to function effectively and efficiently. See pages 90-92.

Section 3: Composition, succession and evaluation

Appointments to the Board are subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. See pages 91-92.

The Board and its committees have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed. See pages 84-85 and committee reports.

Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively. See page 86.

Compliance with the Code

The UK Corporate Governance Code issued by the Financial Reporting Council in July 2018 (the "Code") sets out the governance principles and provisions that applied to the Company until 31 May 2022, when the Company's listing category was transferred from "Premium Listing (commercial company)" to "Standard Listing (shares)". A copy of the Code is available from the Financial Reporting Council's website at **www.frc.org.uk**. The aim of the corporate governance report is to demonstrate how the principles of the Code have been considered and applied by the Company. The UK Financial Reporting Council promotes high-quality corporate governance and reporting through the Code with which all companies with a premium listing on the London Stock Exchange are required to either comply in full, or explain why, and to what extent, they do not comply. The Company intends to continue to comply with the Code or explain any non-compliance as it would if it were still premium listed. This statement should be read in conjunction with the Corporate Governance section of this report as a whole. The headings on this page and the following page correspond to the headings in the Code.

Section 4: Audit, risk and internal control

The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements. See pages 93-98.

The Board presents a fair, balanced and understandable assessment of the company's position and prospects. See page 120.

The Board establishes procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term objectives. See pages 32-33.

Section 5: Remuneration

Remuneration policies and practices are designed to support strategy and promote long-term sustainable success. Executive remuneration is aligned to company purpose and values, and clearly linked to the successful delivery of the company's long-term strategy. See pages 100-115.

A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director is involved in deciding their own remuneration outcome. See pages 100-115.

Directors exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances. See pages 100-115.

Statement of compliance

Nostrum fully complied throughout 2023 with the provisions of the 2018 version of the UK Corporate Governance Code except in the following respects:

Provision 12

The Board has not to date appointed one of the independent non-executive directors to act as the senior independent director, to provide a sounding board for the chair and serve as an intermediary for the other directors and shareholders. The Board believes that there are currently effective arrangements in place for communication between the chair and other directors and shareholders without such appointment.

Provision 21

As all members of the Board (with the exception of the Company's CEO Arfan Khan) were appointed in February 2023, no formal evaluation of the Board or any of its committees took place in 2023.

Provision 36

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

The Board members' visit of Chinarevskoye field and facilities in November 2023.

Board of Directors

GRI 2-9

Stephen Whyte
Chairman and Non-Executive Director

Date of appointment: 14 February 2023

Other current appointments:
- Independent Non-Executive Director at Beacon Energy.

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

Chris Cox
Independent Non-Executive Director

Date of appointment: 14 February 2023

Other current appointments:
- Director and the interim CEO of Capricorn Energy PLC.

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

Fiona Paulus
Independent Non-Executive Director

Date of appointment: 14 February 2023

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

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

Board committees

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

Former members of the Board of Directors

Atul Gupta
Executive Chairman

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

Skills and experience:
- Chief Executive Officer (2006-2008) and Chief Operating Officer (1999-2006) of Burren Energy.
- 40 years' broad experience in international upstream oil and gas businesses: Charterhouse Petroleum, Petrofina, Monument and Burren Energy.

Sir Christopher Codrington, Bt.
Independent Non-Executive Director

Committee memberships as stated in the relevant Committee report

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

Other current appointments: None

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

Chris Hopkinson
Independent Non-Executive Director

Date of appointment: 14 February 2023

Other current appointments:
- Non-executive Chairman of Enwell Energy.
- Interim Executive Chairman of IGas Energy.
- Founder of Astra Resources Management and Antelopus Energy.

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

Martin Gudgeon
Non-Executive Warrant Director

Date of appointment: 14 February 2023

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

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

Arfan Khan
Chief Executive Officer

Date of appointment: 26 January 2021

Other current appointments: None

Skills and experience:
- 35 years of total industry experience.
- From January 2020 until joining the Company, President of Stratum Energy Group (Romania).
- From April 2014 to December 2019, COO of Amni International Petroleum (Nigeria).
- From April 2012 to March 2014, Petroleum Engineering Director at Maersk Oil (Angola).
- From August 2002 to March 2012, Chief Production Engineer at Shell (Nigeria & Kazakhstan).
- Pre-2002: 12 years with ExxonMobil Gulf-of-Mexico Reservoir Development (US).
- Member of the Society of Petroleum Engineers.
- Holds a Bachelor of Science degree from Texas A&M University and an MBA from Tulane University.

Martin Cocker
Independent Non-Executive Director

Committee memberships as stated in the relevant Committee report

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

Skills and experience:
- Chartered accountant with over 30 years' business experience.
- Held several line management, project leader, CEO-and CFO-level positions and has also been independent Non-Executive Director and Chairman of the Audit Committee at Etalon Group PLC, Headhunter Group PLC and TCS Group Holdings PLC.
- Previously held senior positions with Deloitte & Touche, KPMG, Ernst & Young and Amerada Hess.

Kaat Van Hecke
Independent Non-Executive Director

Committee memberships as stated in the relevant Committee report

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

Skills and experience:
- 2013-2016 served as Managing Director and Senior Vice President of the Austrian Upstream business at Österreichische Mineralölverwaltung (OMV).
- 2010-2013 served as E&P Group Head of Business Support at OMV.
- 2002-2010 held various positions with Shell in Russia, Nigeria and The Netherlands.
- 1995-2001 held various positions with ExxonMobil in Belgium and The Netherlands.

Board of Directors continued

Board activities and achievements during 2023

During the financial year, the Board held 7 meetings. The Board and Committee agendas were shaped to ensure that discussion was focused on the Group's key strategies and monitoring activities, as well as reviews of significant issues arising during the year. The Group's ongoing financial and strategic performance is reviewed at every meeting, and the Chief Executive Officer and the Chief Financial Officer comment on production, share price performance, the market and shareholder feedback.

The table below gives the highlights of how the Board and its committees spent their time during the 2023 financial year but should not be regarded as an exhaustive list. More information regarding the Group's strategic objectives and focus during 2023 can be found in the Strategic Report on pages 1-81 and the more detailed activities of each Board committee are located in their relevant report.

Strategy and business focus	• Discussions around the strategic options available to the Group to monetise the infrastructure through processing third-party volumes and acquisition of nearby, stranded assets such as Stepnoy Leopard. • Approved a targeted well workover and intervention programme.
Risk	• Review of all interim financial results announcements and the 2022 Annual Report and Accounts. • Consideration of the Group's going concern assessment, viability statement and risk appetite for the coming year. • Reviewed the Group's liquidity forecast at each board meeting.
Governance	• Received reports from Board committees. • Consideration of the UK Corporate Governance Code and other regulatory requirements for the Annual Report. • Review of the Notice of AGM and matters proposed for shareholder approval. • Reviewed and approved new and updated Group policies.
People and culture	• Board field trip and engagement with the local workforce.

Board evaluation

No formal Board evaluation took place in 2023 (the last Board evaluation took place in 2021) as all members of Board (with the exception of the Company's Chief Executive Officer Arfan Khan) were appointed in February 2023. A board self-evaluation is currently being carried out for the 2023 calendar year.

Director induction and training

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

Attendance at meetings of the Board and its Committees in 2023

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

	Board		Audit Committee		Remuneration Committee		Nomination and Governance Committee		Strategy Committee[5]	
	A	B	A	B	A	B	A	B	A	B
EXECUTIVE DIRECTORS										
Atul Gupta[1]	–	–	–	–	–	–	–	–	–	–
Arfan Khan	7	7	–	–	–	–	–	–	4	4
NON-EXECUTIVE DIRECTORS										
Kaat Van Hecke[2]	–	–	2	2	–	–	–	–	–	–
Martin Cocker[3]	–	–	2	2	–	–	–	–	–	–
Sir Christopher Codrington Bt.[4]	–	–	2	2	–	–	–	–	–	–
Stephen Whyte	7	6	–	–	–	–	–	–	4	4
Chris Cox	7	7	6	6	3	3	3	3	–	–
Chris Hopkinson	7	6	6	6	3	3	3	3	–	–
Martin Gudgeon	7	6	–	–	–	–	–	–	4	4
Fiona Paulus	7	4	6	5	3	3	3	2	–	–

A = Total number of meetings the Director was eligible to attend.
B = Total number of meetings the Director did attend.
1. Mr Gupta was the Executive Chairman of the Board of Directors until 14 February 2023.
2. Ms Van Hecke was Chairwoman of the Health, Safety, Environment and Communities Committee and Chairwoman of the Remuneration Committee until 14 February 2023.
3. Mr Cocker was the Chairman of the Audit Committee from 13 July 2022 until 14 February 2023.
4. Sir Christopher Codrington Bt. was the Chairman of the Audit Committee until 13 July 2022 and the Chairman of the Nomination and Governance Committee until 14 February 2023.
5. There were no meetings of the Health, Safety, Environment and Communities Committee in 2023. It is no longer a Board level committee. The Strategy Committee was formally created on 24 February 2023.

The key responsibilities of the Strategy Committee during 2023 were to:

- Assess the corporate and strategic performance of the Company and its subsidiaries (the "Group") in its broadest sense, and forming a wide view on the adequacy of progress made in achieving strategic objectives and outcomes, and of the systems to measure, monitor and deliver on them;
- Support the Board and Senior Management in formulating the overall strategy for the Company, with particular emphasis on horizon scanning, priorities, activities and outcomes;
- Consider the strategic development opportunities for the Group, including by way of acquisitions, disposals, joint ventures, commercial co-operations or otherwise;
- Consider options for shareholder investment or exit.

The terms of reference of the Committee were approved at a meeting of the Board on 26 April 2023.

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

Membership from 24 February 2023

Stephen Whyte
Committee Chair from 24 February 2023, Member from 24 February 2023

Martin Gudgeon
Member from 24 February 2023

Arfan Khan
Member from 24 February 2023

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

Committee meetings

The Strategy Committee met four times during 2023 (three times in the presence of the other directors subsumed within Board meetings). The attendance of each Committee member at Committee meetings held during 2023 is shown on page 87. As a separate agenda item, the Committee reports to the Board at each Board meeting on any activities of the Committee since the last Board meeting.

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

- April – Business Development
- June – Investor relations. Consent solicitation.
- August – Drilling Programme. Stakeholder Engagement.
- October – Strategy for 2024 Budget.

Only members of the Committee have the right to attend Committee meetings.

However, other individuals may be invited to attend all or part of any meeting, as and when appropriate.

Senior management team

Arfan Khan
Chief Executive Officer

(See biography of Arfan Khan on page 85).

Petro Mychalkiw
Chief Financial Officer

Skills and experience:

- Appointed as Chief Financial Officer of the Nostrum Group on 21 August 2023.
- 30 years of post-qualification experience, with almost 20 years of senior finance experience within the natural resources industry, including both oil and gas businesses and mining/metals companies.
- Extensive public company experience and first-hand experience of E&P operations in the Republic of Kazakhstan.
- Previous roles in O&G and emerging markets include serving as Group CFO at I-Pulse Inc, High Power Petroleum LLC, Equus Petroleum Plc and Orsu Metals Corporation and serving as Regional Finance Director and Group Head of Corporate Finance at Oriel Resources Plc.
- Holds a Bachelor of Arts degree in Economics from the University of Manchester.
- Member of the Institute of Chartered Accountants in England & Wales.

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

Skills and experience:

- Appointed as General Counsel of the Nostrum Group on 5 September 2008, as Company Secretary of Nostrum Oil & Gas PLC on 3 October 2013 and as Acting Head of Human Resources on 13 January 2020.
- More than 30 years of post-qualification experience, including 16 years with the law firm White & Case LLP, where he was a Partner and specialised in cross- border corporate and M&A transactions based in the firm's New York, Istanbul, London, Brussels and Bangkok offices.
- Served as Senior Corporate Counsel in the EMEA headquarters of Intercontinental Hotels Group from 1996-1998.
- Holds a Bachelor of Arts degree in Comparative and Developmental Politics from the University of Pennsylvania and a Juris Doctor degree from New York University School of Law.
- Member of the New York Bar and the Association of International Energy Negotiators.

Robert Tinkhof
Chief Operating Officer

Skills and experience:

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

Ulugbek Makhmadiyarov
Group Finance Director

Skills and experience:

- Led the finance function from 1 October 2022 till 20 August 2023. Chartered accountant with over 18 years of experience in business and professional services.
- Held various roles within Nostrum Finance team from 2014, including leading accounting & reporting, internal audit and risk management. Prior to joining Nostrum developed his career at Ernst & Young in Uzbekistan and Kazakhstan, managing audits of large international companies including listed entities.
- Holds Master's and Bachelor's Degrees from the University of World Economy and Diplomacy.
- Fellow member of ACCA (since 2014) and Certified Internal Auditor (since 2015).

Abi Zivs
Director of Marketing

Skills and experience:

- Appointed as Head of Marketing on 4 February 2022.
- 2017-2022 held position of LPG and sulphur sales manager with Zhaikmunai LLP.
- More than 29 years' experience in shipping and selling hydrocarbons in Latvia, Kazakhstan and Turkey.
- Graduate of Latvian State University, Faculty of Physics and Mathematics.

Zhomart Darkeyev
General Director of Zhaikmunai LLP

Skills and experience:

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

Daulet Tulegenov
Group Head of QHSE

Skills and experience:

- Appointed as Group head of QHSE in October 2018.
- 2017-2018 HSE Transformation team leader at KazMunaiGas JSC.
- 2010-2016 HSE manager at Lukoil.
- 2009-2010 Senior HSE expert at KazMunaiTeniz JSC.
- 2006-2009 Senior HSE specialist at LUKOIL.
- 2003-2006 Safety specialist at Tengizchevroil.
- Over 20 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.

Gulnara Shadeyeva
Head of HR in the RoK

Skills and experience:

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

Natalya Dibe
Head of ESG

Skills and experience:

- Head of Budgeting and Control at Zhaikmunai LLP.
- More than 19 years of post-qualification experience, including 9 years with one of the largest banks in CIS – Kazkom (currently Halyk).
- Holds an Executive Master's degree, and an MBA degree from the Russian Presidential Academy; a Bachelor's degree in Accounting and Audit, and a Bachelor's degree in Oriental Studies from the Eurasian Academy.
- Certified in Project Management; and in ESG from Global Reporting Academy (GRI), University of Pennsylvania, and the London Reporting Academy.
- Participant and semifinalist of the management competition Leaders of Russia in international track in 2020-2023.

Askhat Seitkazin
Deputy General Director of Zhaikmunai LLP

Skills and experience:

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

Melody Pinet
Head of HR outside the RoK

Skills and experience:

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

Our governance framework

as at 31 December 2023

The Board

The Board is chaired by Stephen Whyte as from 14 February 2023. The Board is collectively responsible to stakeholders for the long-term success of the Group. This is achieved by reviewing trading performance, budgets and funding, setting and monitoring the Group's strategic objectives, reviewing acquisition opportunities and engaging with stakeholders. The Board is supported by a number of committees whose terms of reference (TORs) are available on our website.

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

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

Independent Non-Executive Directors[1]
Responsible for bringing an external perspective, sound judgement and objectivity to the Board's decision-making. Scrutinise management performance and constructively challenge strategy.

Non-Executive Warrant Director
Responsible for giving or withholding approval to certain matters set out in the warrant instrument.

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

Chairwoman: Fiona Paulus

See page 93 for Committee Report.

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

Chairman: Chris Cox

See page 99 for Committee Report.

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

Chairman: Chris Hopkinson

See page 100 for Committee Report.

Strategy Committee[2,3]
Assists the Board to fulfil its responsibilities in relation to strategy.

Chairman: Stephen Whyte

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

Company Secretary: Thomas Hartnett

Senior Management Team

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

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

Head: Petro Mychalkiw

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

Head: Robert Tinkhof

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

Head: Thomas Hartnett

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

Head: Abi Zivs

QHSE
RQHSE

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

Head: Daulet Tulegenov

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

Acting Head: Thomas Hartnett

1. Since 24 February 2023, no Director has been appointed as Senior Independent Director.
2. The Strategy Committee was formally created on 24 February 2023.
3. The Health, Safety, Environment and Communities Committee was at the Board level in 2022. In early 2023, new Senior Management level HSE and ESG committees were formed. Both committees are chaired by the Chief Executive Officer.

Board policies and governance arrangements

GRI 2-23

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

In order to ensure that it is involved in making important decisions for the Group and to ensure a clear division of responsibilities between the Board and executive management, the Board has identified certain "reserved matters" that are subject to its approval. Other matters, responsibilities and authorities have been delegated to its committees and the senior management team, as set out in the governance framework on pages 90-92.

The schedule of matters reserved for the Board is reviewed annually and is available on our website.

Division of responsibilities

On 27 November 2018, the Board resolved to expand the role of the Company's Chairman, Atul Gupta, to give him certain executive responsibilities, in particular in relation to business development, strategic initiatives and investor relations. Notwithstanding this, in accordance with the Code, and with the exception of the period from 30 September 2020 to 25 January 2021, the roles of Chairman and Chief Executive remained separate, with each having distinct and clearly defined responsibilities, as summarised in the Board structure diagram. Mr Gupta's role as Executive Chairman was to guide, advise, counsel and assist the Chief Executive Officer in overseeing the Company's implementation of its strategy. The Chief Executive remained responsible for line management of his direct reports and implementation of the Company's strategy.

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

The Chief Executive Officer is also a member of the Strategy Committee and his strategic capabilities are strengthened by the Senior management team.

Independence

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

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

Equality and diversity

GRI 405-1

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

As at 31 December 2023 the Company has 17% female representation on its Board. As at 2023 year-end, the Audit Committee comprises 33% females, the Nomination and Governance Committee has 20% female representation and 25% are females in the Remuneration Committee. The Nomination and Governance Committee remains satisfied that the Board has the right mix of skills and experience to operate effectively. However, the skills and experience mix will be revisited following the successful restructuring of the Existing Notes. The Nomination and Governance Committee remains committed to monitoring diversity closely as part of future succession planning.

On 7 December 2017, the Board approved its Equality and Diversity Policy. Clarificatory amendments were made to the Company's Equality and Diversity Policy on 14 September 2022, to which the Company continued to adhere throughout 2023.

In accordance with the policy, the Group is committed to eliminating discrimination and encouraging equality and diversity in all of our business activities, including the provision of employment. The policy applies to all who work for the Group, including Directors, together with the managerial, supervisory and administrative bodies of all entities within the Group.

The policy also applies equally to the treatment of our supply chain, applicants and visitors by our staff and the treatment of our staff by these third parties. The objective of the policy is to promote equality of opportunity and to ensure that no individual suffers unlawful discrimination, directly or indirectly, on the grounds of race, colour, ethnicity, religion, sex, gender identity or expression, gender reassignment, national origin, age, marital status, disability or sexual orientation.

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

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

Throughout the year, our commitment to advancing diversity and inclusion within our organisation has remained a priority. We have enhanced and implemented several initiatives, notably the 'Targeted Recruitment Program', focusing on underrepresented groups such as women, minorities, and individuals with disabilities. Concrete measures as collaborating with external organisations, taking training for inclusive recruitment, and creating inclusive job advert have been taken. For more information on the Diversity Action Plan of the Group please see pages 61.

As at 31 December 2023, we did not comply with the following targets in the Listing Rules on board diversity:

- 40% of individuals on the board to be women.
- At least one senior position (chair, chief executive, senior independent director or chief financial officer) to be held by a woman.
- At least one individual be from an ethnic minority background.

Diversity data is collated by our HR function who request colleagues to self-report against drafts of this Annual Report. These targets were not met due to (a) the appointment processes which concluded on 14 February 2023 having failed to identify sufficient female candidates and (b) no member of the Board self-reporting as being from an ethnic minority background.

Our governance framework continued

Table for reporting on gender identity or sex as at 31 December 2023

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	5	83%	2	8	73%
Women	1	17%	0	3	27%
Other categories					
Not specified, prefer not to say					

Table for reporting on ethnic background as at 31 December 2023

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	4	67%	1	5	45%
Mixed/Multiple Ethnic Groups					
Asian/Asian British	1	17%	1	5	45%
Black/African/Caribbean/Black British					
Other ethnic group, including Arab	1	17%		5	9%
Not specified, prefer not to say					

Conflicts of interest

GRI 2-15

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

Formal procedures are in place to ensure that the Board's powers of authorisation of conflicts or potential conflicts of interest of Directors are operated effectively.

The Board is satisfied that during 2023 these procedures were enforced and adhered to appropriately.

Appointment and tenure

All Executive Directors have service agreements with the Company. All Non-Executive Directors have letters of appointment with the Company. For all Executive Directors engaged through service agreements, there is no term limit on their services, as the Company proposes all Executive Directors for annual re-election at each subsequent Annual General Meeting of the Company.

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

Bribery, corruption and whistleblowing

GRI 2-23, 2-26, 205-1, 205-3

Bribery and corruption are significant risks in the oil and gas industry and, as such, the Company operates a Group-wide Anti- Corruption and Bribery Policy, which applies to all Group employees and contractor staff. The policy requires: annual bribery and corruption risk assessments; risk-based due diligence on all parties with whom the Company does business; appropriate anti-bribery and corruption clauses in contracts; and the training of personnel in anti-bribery and corruption measures. In addition, the Company's Code of Conduct requires that employees or others working on behalf of the Company do not engage in bribery or corruption in any form. Corruption-related risks are evaluated on a Group-wide basis (not in respect of divisions). No confirmed corruption cases were identified in 2023.

Training on anti-corruption policies was undertaken in 2023.

The Company has also adopted a Whistleblowing Policy that takes account of the Whistleblowing Arrangements Code of Practice issued by the British Standards Institute and Public Concern at Work. Further information can be found on page 63.

No whistleblowing disclosures were reported in 2023.

Clarificatory changes were made to the Whistleblowing Policy on 17 August 2023.

Anti-facilitation of tax evasion

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

No training on the anti-facilitation of tax evasion policy was undertaken in 2023.

Audit Committee report

Role and responsibilities of the Audit Committee

The key areas of responsibility of the Committee during 2023 were as follows:

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

The terms of reference of the Committee were approved at a meeting of the Board on 26 April 2023. The key areas of responsibility of the Committee with effect from 26 April 2023 are unchanged from those applying from 1 January 2023 to 26 April 2023.

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

Membership from 1 January 2023 to 14 February 2023

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

All members of the Audit Committee from 1 January 2023 to 14 February 2023 were considered to be independent Non-Executive Directors.

Membership from 24 February 2023

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

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

The qualifications presented in the biographies of the members of the Committee on pages 84-85, and their respective contributions to the activities of the Committee, demonstrate that the Committee has the necessary levels of competence in oil & gas upstream and downstream operations and in accounting and auditing, as well as recent and relevant financial experience.

Meetings in 2023

The Committee meets normally a few days in advance of each board meeting. The Group's Chief Financial Officer, the Chief Legal Officer and the Company Secretary are invited to all meetings with the external auditor being invited when appropriate. The Committee held eight formal meetings during 2023 and the attendance of each Committee member at meetings of the Committee is shown on page 87.

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

Meetings	Agenda item
9 January	Tax audit. Auditor for 2022.
13 January	Replacement auditors. Tax audit.
24 April	Audit planning. Terms of reference. Q1 2023 overview. Annual reports and accounts. Intercompany bonds. Cash investments. Project finance.
23 May	Audit results. Going concern assessment. Viability assessment. Impairment review. Financial statements. Annual report. Fair, balanced and understandable statement.
23 June	2023 YTD results overview. 2023 forecast vs budget update. Q1 2023 interim condensed financial statements. Opex and G&A per barrel.
16 August	2023 FY forecast vs budget update. 2023 H1 interim report and interim condensed consolidated financial statements. Restructuring accounting treatment.
16 October	2023 FY forecast vs budget. Treasury update. 2023 audit planning and timetable.
14 November	Q3 2023 interim condensed financial statements. Tax liabilities. Consent solicitation for amendments to trust deeds on cash investments and AIX listing.

Financial Reporting Council (FRC) disclosure expectations

In October 2023, the Corporate Reporting Review ('CRR') team of the FRC highlighted a number of key matters for the 2022-2023 financial reporting season. Top ten most common topics on which CRR team raised substantive questions with companies in their 2022/23 monitoring cycle were aligned to the following key areas of disclosure expectations for 2023/2024 reporting cycle:

- ensuring disclosures about uncertainty are sufficient to meet the relevant requirements and for users to understand the positions taken in the financial statements.
- giving a clear description in the strategic report of risks facing the business, their impact on strategy, business model, going concern and viability, cross-referenced to relevant detail in the reports and accounts.
- providing transparent disclosure of the nature and extent of material risks arising from financial instruments.
- providing a clear statement of consistency with TCFD which explains, unambiguously, whether management considers they have given sufficient information to comply with the framework in the current year.
- performing sufficient critical review of the annual report and accounts, including: taking a step back to consider whether the report as a whole is clear, concise and understandable, omits immaterial information and whether additional information, beyond the requirements of specific standards, is required to understand particular transactions, events or circumstances; and a robust pre-issuance review to consider issues we commonly challenge including: internal consistency; whether accounting policies address all significant transactions; and presentational matters, such as cash flow and current/non-current classification.

The Committee considered the above-mentioned expectations when reviewing the annual report and accounts, and addressed these while reviewing the annual report and accounts, as further described below in the next sections.

Self-assessment

No formal review of the Committee's performance and effectiveness was made in 2023.

Activities during the year

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

1. Financial reporting

2. Risk management and internal controls

3. Compliance with laws and regulations

4. External audit

1. Financial reporting

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

- Review of and discussions on the quarterly unaudited and annual audited financial statements and recommendation to the Board for approval;
- Review of and discussions on the matters of liquidity and going concern analysis, as well as impairment considerations;
- Review of annual budgets and quarterly performance and forecasts, and the status of key initiatives; and
- Discussion of various ad-hoc matters related to financial accounting, reporting, treasury and tax, and other finance matters.

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

- Appropriateness of critical judgements and estimates applied by management (described in more detail below) and completeness of related disclosures;
- Consistency of the adopted accounting policies with those used in prior periods;
- Completeness of disclosures for compliance with financial reporting standards and relevant corporate governance requirements;
- Assessment whether the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the stakeholders to assess the Group's performance, business model and strategy; and
- Discussions on any significant matters with management and the external auditor and providing feedback to management on ways to improve the effectiveness and clarity of the Group's corporate reporting.

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

Significant judgements, estimates and assumptions

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

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

Significant judgements	Significant estimates	Significant assumptions	Impact on financial statement accounts
VIABILITY AND GOING CONCERN ASSESSMENTS			
One of the key judgements made by the management when preparing 2023 Annual Report and Accounts was related to the Group's continued viability and going concern. Various risks and uncertainties may threaten the Company's future performance and results.	Management uses internal estimates to forecast future volumes of oil and gas production, as well as opex, G&A, and capital expenditure for future periods, which are subject to various uncertainties.	Management uses product price assumptions for crude oil, LPG, dry gas and stabilised condensate in order to estimate cash inflows from future product sales.	Conclusions based on the going concern and viability assessment affect the basis of preparation of the financial statements, and may lead to differing valuation and presentation of the items on the statement of financials.
Committee actions			
During 2023, the Committee continued to challenge management's assessment that the Company and Group remain a going concern over a period of at least 12 months from the date of release of the financial statements and also viable over a period longer than 12 months.	The Committee reviewed the Management's analysis of the Group's cash flows for the 12-36 months, and monitoring of the Group's liquidity position, sensitivity tests of its liquidity position for changes in crude oil price, production volumes and timing of completion of various ongoing projects.	The Committee reviewed the Management's analysis of the Group's cash flows for the 12-36 months, and monitoring of the Group's liquidity position, sensitivity tests of its liquidity position for changes in crude oil price, production volumes and timing of completion of various ongoing projects.	After careful consideration, the Committee is satisfied that the Group has sufficient resources to continue in operation for the going concern period to 30 June 2025, and agrees with management's conclusions in relation to the going concern (see page 46) and viability of the Group over a period of longer than 12 months (see pages 39-40).
GEOPOLITICAL FACTORS			
The Group's operations are exposed to risks associated with the political and business environment in Kazakhstan, being the Group's primary location of oil & gas operations, as well as its neighbouring countries. Severe sanctions and trade restrictions imposed by, among others, the US, UK and EU on Russia at various stages have increased the economic and political uncertainty and may have a material adverse impact on the Group's business, results of operations, financial condition and prospects.	Estimations of the future prices for oil, oil products and dry gas as well as continued production from the Chinarevskoye field impact the calculation of future cash flows. In turn, these impact the assessment of the continued viability of the Company and Group as well as the level of impairment provision to be made.	In estimating recoverable amounts of the Group's non-current assets the Management uses assumptions such future commodity prices, oil and gas reserves, future production profiles, operating expenses and capital expenditure estimates, fiscal regimes, and discount rates.	Changes in the significant estimates and key assumptions may affect the ability of the Group to continue as a going concern, or the level of impairment required against the CGU.
Committee actions			
Changes in the significant estimates and key assumptions may affect the ability of the Group to continue as a going concern, or the level of impairment required against the CGU.	As part of the regular Board meetings, the Committee reviewed the monthly liquidity position prepared by management and agreed the estimations of product prices, costs and production profiles were appropriate.	As part of the regular Board meetings, members of the Committee considered and challenged the assumption that sanctions were not affecting marketing of the Group's products or operations.	The Committee considered the impact of sanctions on the financial statements at the same time as it scrutinised the application of the going concern basis for the preparation of the quarterly, half -yearly and annual financial statements.
ACCOUNTING TREATMENT OF THE NOTES RESTRUCTURING			
When reflecting the Notes Restructuring completed in February 2023, the Management applied judgement in determining whether the exchange of debt instruments was a substantial modification in the terms (see Note 13 to the consolidated financial statements) and whether the debt-to-equity swap met all criteria for application of IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (see Note 11 to the consolidated financial statements).	Due to the absence of observable market information for determining fair value of the SSNs and SUNs on the date of recognition, the Management estimated the discount rates applicable to these financial instruments to estimate their fair values through discounting future cashflows.	The Management applied certain assumptions when estimating the applicable discount rates for SSNs and SUNs, and used assumptions when constructing the future cashflows for the purpose of discounting for fair value estimation.	Significant estimates, assumptions and judgments affect the accounting treatment of the debt exchange and debt-to-equity swap, and hence the amounts of the Notes on the statement of financial position, their fair value adjustment impact on the income statement amounts as well as its amortisation over the remaining life of the financial instruments.
Committee actions			
The Committee reviewed the Management's analysis on exchange of debt instruments and debt-to-equity swap, and concurred with Management's views and conclusions upon further discussions at committee meetings also taking into account the external auditors' views.	The Committee reviewed the Management's estimates of the discount rates and fair values of the bonds and concurred with the conclusions and results.	The Committee discussed with the Management the assumptions applied when estimating the discount rates applicable to the bonds, and future cashflows.	Taking into account management's analysis and conclusions, the Committee concurred with the adopted valuations and accounting treatment for restructuring of the bonds, and discussed with the management appropriateness and clarity of the disclosures.

Significant judgements	Significant estimates	Significant assumptions	Impact on financial statement accounts
NON-CURRENT ASSETS' CARRYING VALUES			
For impairment analysis, management used judgement and determined a single cash generating unit (CGU) within the Group's non-current assets, which includes all assets related to Chinarevskoye field, gas treatment facilities and processing of hydrocarbons from Ural O&G. In addition, the management used judgement in determining the FVLCD of the CGU while making assumptions about market-participant's view on the value creating components of the CGU.	Estimations of the recoverable amount of the CGU were prepared by management based on the discounted cash flow model using significant assumptions as well as considering the value of the enterprise.	Assumptions used in estimating recoverable amounts included future commodity prices, oil and gas reserves, future production profiles, operating expenses and capital expenditure estimates, fiscal regimes, and discount rates. Enterprise valuation considered the market value of the Group's bonds and the Company's shares.	Changes in the key assumptions and market valuations may significantly affect the estimation of the recoverable amount of non-current assets, and consequently may result in impairment of non-current assets in the future periods.
Committee actions			
The Committee concurred with management's position in determining a single CGU for the majority of the Group's non-current assets, and with relevant determinations of the value creating components of the CGU.	The Committee reviewed the management's detailed reports on impairment testing, and agreed with using a combination of a discounted cash flow model and enterprise value for impairment testing.	The Committee reviewed the assumed product prices, discount rates, production profiles, and forecast capital and operating expenditures, and their consistency with other areas of future cashflow forecasts.	After reviewing the management analysis and particularly considering the sensitivity analysis, the Committee concurred with he Management's findings and conclusions on impairment testing, and also scrutinised the relevant disclosures in this report.
OIL AND GAS RESERVES			
Management applied significant judgement when selecting the volume of future production used in the unit-of-production method of depletion of assets based on the oil and gas reserves.	Management uses internal estimates to perform an annual assessment of the oil and gas reserves. The reserves estimates are made in accordance with the methodology of the Society of Petroleum Engineers (SPE). The estimates made as of 31 December 2022 were audited by Ryder Scott.	Considering the most recent available information, the Committee reviewed various key assumptions used by management in estimating the oil and gas reserves and was satisfied with the reasonableness of such assumptions.	The Committee remained comfortable with the updated reserves estimations prepared by the Management, which are a central element in the calculation of depreciation, depletion and impairment.
Committee actions			
The Committee concurred with the continued application of the unit-of-production method of assets depletion, as this method reflects the expected pattern of consumption of future economic benefits by the Group.	The Committee gained comfort on the outcomes of the oil and gas reserves' estimations based on the key assumptions consistent with previous year's estimations, which were audited by Ryder Scott.	The Committee reviewed the assumed product prices, discount rates, production profiles, and forecast capital and operating expenditures, and their consistency with other areas of future cashflow forecasts.	After reviewing the management analysis and particularly considering the sensitivity analysis, the Committee concurred with he Management's findings and conclusions on impairment testing, and also scrutinised the relevant disclosures in this report.
TAXATION			
Considering ongoing changes and varying interpretations of Kazakhstan's tax legislation and regulations, the management has to exercise judgement to evaluate the exposures to the ultimate amount of any future taxes, penalties and interest, which may result from tax authorities disagreement with the positions taken by the Group.	The Group is subject to routine tax audits and a resulting process whereby tax computations are discussed with the tax authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the amounts of taxes accruals and disclosures.	Assumptions used in estimating the amount of taxation which may become payable are based on professional advice and consideration of the nature of current discussions with the tax authorities.	Because of the uncertainties associated with Kazakhstan's tax systems, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 December 2023.
Committee actions			
The Committee was periodically updated by the management on any uncertainties surrounding the Group's tax position, which were accordingly discussed both at the Committee and Board meetings.	The Committee reviews the detail of any significant matter under discussion with the tax authorities and considers the likelihood of taxes being payable.	Areas of focus were the nature of current discussions with the tax authorities, the outcomes of previous similar discussions and the views of taxation specialists.	The Committee also gave special consideration to the disclosure of any significant uncertainty in the estimation of the tax due.

Other significant judgements and estimates

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

Significant matters communicated by the external auditor

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

2. Risk management and internal controls

The Committee continuously monitored the Group's risk management systems, further information on which can be found in the Risk Management section on pages 32-33.

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

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

Geopolitical Risk	The Committee continued to oversee the management's assessments and responses to the impact of worldwide sanctions on the operations the Group. Such responses included continued collating and regular updates of the lists of all persons/entities sanctioned in order to ensure Nostrum does not enter into transactions with any of the persons/entities on these lists.
Liquidity and financial reporting	Throughout the year, and as explained in more detail elsewhere in this report, the Committee has been focused on reviews of the viability of the Group and the application of the going concern basis for preparing the financial statements.
Oil and gas production rates	The Committee recognises the oil and gas production volumes are subject to significant risks and uncertainties, and hence continued constant monitoring of the forecast production rates against actual rates. Periodic updates were reported by the management at the Committee meetings and Board meetings, and any material variances were discussed in details with the management.
Cyber security	The Committee continued to review the Company's and Group's exposure to cyber-attacks and discussed with management the effectiveness of proposed actions to address such exposures.
Financial reporting	The Committee seeks to ensure the accurate maintenance of accounting records and related transactions, and relevant disclosures, with particular attention to areas of significant judgements, estimations and assumptions which are inherently subject to significant risks and uncertainties. Such areas of focus included viability and going concern assessments, impairment, oil and gas reserves and production forecasts, taxation as described in the previous section.

Internal control system

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

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

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

Details of the procedures related to compliance control are set out below (including compliance liaison equivalent to a hotline). No instructions for any conflict of interest settlement or compliance control forms were in use in 2023. No sanctions or disciplinary actions were applied in respect of internal control in 2023.

Internal Audit

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

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

The Group does not at this time have a dedicated internal audit function. Instead, the Group outsources this work to specialists in relevant areas or engages internal resources on a case-by-case basis.

Also, one of the compensating measures is the Contracts Board comprising the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer. The Contracts Board meets weekly and its purpose is to review and approve significant expenditure commitments.

Also, in the Committee's view, the Group has sufficient internal processes providing assurance to the management, Audit Committee and the Board about the effectiveness of systems of internal control and risk management: for instance quarterly reports to the Board on operations, financial performance, liquidity, and legal issues and assurance provided by Quality, Health, Safety and the Environment ("QHSE") Department.

3. Compliance with laws and regulations

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

UK Corporate Governance Code

The Committee was in compliance with the Code throughout 2023, except that (in breach of provision 21 of the Code) no formal review of the Committee's performance and effectiveness was made in 2023.

Whistleblowing arrangements

Nostrum has a Group Whistleblowing Policy and, to ensure that all Group employees have access to someone who can provide them with support and guidance, the Group has two compliance liaison officers: one English, Kazakh and Russian-speaking officer based in Uralsk and another Dutch- and English-speaking officer based in Brussels. The Audit Committee maintained close contact with the compliance liaison officers. No whistleblowing disclosures were reported in 2023.

4. External audit

Appointment of external auditor

On 6 March 2023, the Company announced that it had appointed MHA as auditors to the Group and Ernst & Young Kazakhstan as auditors of Zhaikmunai LLP. The appointment of MHA was confirmed at the Company's 2023 annual general meeting on 30 June 2023.

Non-audit services

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

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

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

Audit fees for 2023 totalled US$1,116 thousand (2022: US$1,188 thousand).

A detailed breakdown of audit and non-audit fees for 2023 can be found in Note 29 to the consolidated financial statements of the Group on page 149.

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

Nomination and Governance Committee report

Key responsibilities of the Nomination and Governance Committee

The key responsibilities of the Committee in 2023 were to:

- Lead the process for Board appointments and make recommendations to the Board regarding candidates for appointment or reappointment as Directors;
- Monitor and make recommendations to the Board on Board governance and corporate governance issues, to enable the Board to operate effectively and efficiently;
- Regularly review the structure, size and composition (including skills, knowledge and experience) of the Board;
- Ensure that an annual review of the effectiveness of the Board, and each committee of the Board, and the contribution of each director is conducted every year, with an independent external review at least every three years;
- Keep under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace;
- Review annually the time required from Non-Executive Directors.
- Review and approve changes to the Board's governance guidelines, monitor the compliance with such guidelines and with applicable legal, regulatory and listing requirements and recommend to the Board such changes or additional action as it deems necessary;
- Require Directors to obtain approval from the Board before undertaking additional external appointments.

The terms of reference of the Committee were approved at a meeting of the Board on 26 April 2023. The key areas of responsibility of the Committee with effect from 26 April 2023 are unchanged from those applying from 1 January 2023 to 26 April 2023.

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

Membership from 1 January 2023 to 14 February 2023

Sir Christopher Codrington, Bt.	Chairman
Kaat Van Hecke	
Martin Cocker	

Membership from 24 February 2023

Chris Cox	Committee Chair from 24 February 2023, Member from 24 February 2023
Martin Gudgeon	Member from 24 February 2023
Chris Hopkinson	Member from 24 February 2023
Fiona Paulus	Member from 24 February 2023
Stephen Whyte	Member from 24 February 2023

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

Committee meetings

The Nomination and Governance Committee met formally three times during 2023. The attendance of each Committee member at Committee meetings held during 2023 is shown on page 87. As a separate agenda item, the Committee reports to the Board at each Board meeting on any activities of the Committee since the last Board meeting.

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

Meetings	Agenda item
April	Recruitment of new CFO. Manual of authorities. Terms of reference.
August	Diversity.
November	Board effectiveness. Diversity. Individual KPIs.

Only members of the Committee have the right to attend Committee meetings.

However, other individuals may be invited to attend all or part of any meeting, as and when appropriate.

Diversity

More information on the Group's actions and policies in relation to diversity and inclusion can be found on pages 60-63.

Appointments, succession planning and evaluation

Following the successful completion of restructuring in 2023, there were changes in the composition of the Board and appointments at the Board level. Succession planning was discussed in relation to the CFO, as set out in the principal agenda items above. An external search consultancy, Heidrick & Struggles, was used in relation to the appointment of the CFO. It has no other connection with the Company. No formal Board evaluation took place in 2023 due to the small amount of time that has elapsed since the current Board members were appointed. Both informal (internal) and formal (involving independent external support) Board evaluations are planned for 2024.

The gender balance of senior management and their direct reports is set out on pages 60-61.

All Directors will stand for re-election at the 2024 Annual General Meeting with the full support of the Board.

Statement from the Remuneration Committee Chairman GRI 2-19

Dear shareholder,

I am pleased to introduce the Directors' Remuneration Report, which has been approved by both the Remuneration Committee and the Board for the year ended 31 December 2023.

Remuneration Policy

The aim of our Remuneration Policy, amongst other things, is to align the remuneration of executives and senior management with the interests of the Company's shareholders and to ensure that rewards are justified by performance.

As noted elsewhere in this Annual Report, in accordance with the Companies Act 2006 a resolution to approve the Remuneration Policy was submitted to shareholders for a binding vote at the 2023 Annual General Meeting and was approved by 80.30% of votes cast.

Remuneration for 2023

The 2023 Directors' Remuneration Report will also be subject to an advisory vote at our 2024 Annual General Meeting.

Further details of Executive Director performance against the 2023 KPIs can be found on pages 101-108. In setting these targets, the Committee focused on areas critical for the Company, which were:

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

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

Mr Khan is the only person who served as an Executive Director during 2023 who has been assessed for a bonus against achievement of these KPIs. The assessment was prepared by the Remuneration Committee as a recommendation to the Board, and was considered and agreed by the Board (other than Mr Khan himself) on 27 February 2024. It was determined that 80% of the 2023 KPIs had been achieved over the year 2023 (GBP 360,000).

Production and cost KPIs were fully satisfied (40% out of a possible 40%), the strategic KPIs were entirely met (50% out of a possible 50%) and HSE KPIs were not met (0% out of a possible 10%). However, taking into account the unfortunate fatality case during 2023, the Committee assessed the HSE KPIs as minus 10%, giving an overall achievement of 80% bonus of base compensation for the Chief Executive Officer for 2023 (GBP 360,000).

In addition, in light of the Chief Executive Officer's achievements in 2023 being critical to the success of the Company, the Committee awarded the Chief Executive Officer a special discretionary bonus in respect of 2023 equal to of 59.5% of his base compensation (GBP 267,750).

The 2024 key performance indicators for the CEO and senior managers were initially proposed by the CEO and then developed in consultation with the Remuneration Committee and were agreed by the Board (other than Mr Khan himself) on 20 March 2024. Such KPIs are set out on page 108. Senior management, including the Chief Executive Officer and (when appointed) the Chief Financial Officer, are assessed for bonuses based on these KPIs. Certain KPIs relating to strategic objectives have been carried forward from 2023 but are still considered to be commercially sensitive and so have not been disclosed. It is our intention to publish these, together with the bonus outcome, as required in the first Directors' Remuneration Report following their achievement.

The Committee also exercised its discretion in deciding not to make any awards under the LTIP in 2023 to any LTIP participants.

As regarding the Group's personnel as a whole, the collective agreement with employees of the Company's subsidiary Zhaikmunai LLP working in the RoK provides for annual indexation of salaries. Effective 1 January 2023 an increase of 20% was granted to employees who are paid in Kazakh Tenge to cover the increase in the cost of living there during 2022.

Neither of the Executive Directors (Atul Gupta and Arfan Khan) received any salary increase in 2023. Any increase set out in the single total remuneration table in relation to Atul Gupta relates to untaken holiday that was paid in lieu. Any increase set out in the single total remuneration table in relation to Arfan Khan relates to deterioration of USD (in which reporting is made) relative to GBP (in which Mr Khan is paid).

Fees payable to the independent non-executive Directors in 2023 were revised to $100,000 per annum, plus $10,000 per annum for chairmanship introduced from 14 February 2023.

UK Corporate Governance Code

The Company complied with the provisions of the Code relating to remuneration throughout 2023. Further information on compliance with the Code can be found on pages 82-83.

The Committee has addressed the factors in Provision 40 of the Code as to clarity, simplicity, risk and predictability by refining the CEO's KPIs applying in 2024 relative to those which applied in 2023 to (a) reduce ambiguity; and (b) increase the level of granularity.

Compliance statement

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

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

Chris Hopkinson
Chairman, Remuneration Committee
Independent Non-Executive Director

18 April 2024

2023 annual report on remuneration

GRI 2-19, 2-20

Key responsibilities of the Remuneration Committee

The Committee's key responsibilities include ensuring that:

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

Membership

The members of the Committee from 1 January 2023 to 14 February 2023 were:

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

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

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

Their biographies are given on pages 84-85. The Company Secretary acts as secretary to the Committee.

Remuneration Committee

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

In accordance with the terms of reference, members of the Committee shall be appointed by the Board on the recommendation of the Nomination and Governance Committee in consultation with the Chair of the Committee. The Committee shall comprise at least three members, the majority of whom shall be INEDs and one of whom shall be the Warrant Director.

From 1 January 2023 to 14 February 2023 the Committee was comprised solely of INEDs, and from 24 February 2023 the Committee was comprised of three INEDs and the Warrant Director.

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

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

The Committee held three meetings in 2023 and the attendance of each committee member at such meeting is shown on page 87.

The principal agenda items at the meetings were as follows:

Meetings	Agenda item
April	Recommendations to the Board regarding terms of reference, performance against 2022 KPIs, setting of 2023 KPIs
October	Proposed Management Incentive Plan
November	Proposed Management Incentive Plan

No other Directors participated in meetings of the Committee during 2023.

During the year, the Committee received advice internally from Arfan Khan, Petro Mychalkiw (from 21 August 2023) and Thomas Hartnett (Company Secretary).

Mr Khan and Mr Mychalkiw were consulted on the remuneration of the other senior members of executive management and on matters relating to the performance of the Company. The Company Secretary was consulted on regulatory requirements.

None of Mr Khan, Mr Mychalkiw and Mr Hartnett participated in decisions on his own remuneration.

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

Voting on remuneration matters

The resolutions put to shareholders at the 2023 Annual General Meeting relating to Directors' remuneration were a resolution to approve the Directors' annual report on remuneration which, in accordance with the Companies Act 2006, was subject to an advisory vote and a resolution to approve a new remuneration policy which, in accordance with the Companies Act 2006, was submitted to shareholders for a binding vote. The votes received are set out in the table below.

Resolution	Votes FOR	% of votes cast	Votes AGAINST	% of votes cast	Votes WITHHELD
Approval of Directors' annual report on remuneration	68,102,538	83.28%	13,668,623	16.72%	0
Approval of new remuneration policy	65,661,825	80.30%	16,109,336	19.70%	0

At the 2024 Annual General Meeting, the Directors' remuneration report will be put to shareholders for approval by way of an advisory vote.

Single total figure of remuneration

The table below shows the single total figure of remuneration for the year ended 31 December 2023 for each Director that served at any time during the year. The information contained in the table is as prescribed by the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and contains a single total figure of remuneration for each Director.

Directors are remunerated in either GBP, US$ or KZT. All figures in relation to Director remuneration are reported in USD throughout this report.

All amounts in US Dollars Director[1]	Period	Salary and fees	Taxable benefits*	Annual bonus[2]	Option Plan	LTIP[3]	Pension[4]	Total (audited)	Total fixed remuneration	Total variable remuneration
Stephen Whyte[5]	**2023**	**259,038**	–	–	–	–	–	**259,038**	**259,038**	–
(Chairman, Non-Executive Director)	2022	–	–	–	–	–	–	–	–	–
Atul Gupta[6]	**2023**	**538,748**	**3,967**	–	–	–	–	**542,715**	**542,715**	–
(Executive Chairman)	2022	518,575	3,888	–	–	–	–	522,463	522,463	–
Arfan Khan	**2023**	**686,555**	**28,183**	**780,395**	–	–	**40,378**	**1,535,511**	**755,116**	**780,395**
(Chief Executive Officer)	2022	683,814	13,763	716,919	–	–	39,154	1,453,649	736,731	716,919
Fiona Paulus[5]	**2023**	**95,897**	–	–	–	–	–	**95,897**	**95,897**	–
(Non-Executive Director)	2022	–	–	–	–	–	–	–	–	–
Chris Cox[5]	**2023**	**95,897**	–	–	–	–	–	**95,897**	**95,897**	–
(Non-Executive Director)	2022	–	–	–	–	–	–	–	–	–
Chris Hopkinson[5]	**2023**	**95,897**	–	–	–	–	–	**95,897**	**95,897**	–
(Non-Executive Director)	2022	–	–	–	–	–	–	–	–	–
Martin Gudgeon[5]	**2023**	**91,667**	–	–	–	–	–	**91,667**	**91,667**	–
(Non-Executive Director)	2022	–	–	–	–	–	–	–	–	–
Martin Cocker[7]	**2023**	**24,615**	–	–	–	–	–	**24,615**	**24,615**	–
(Non-Executive Director)	2022	120,000	–	–	–	–	–	120,000	120,000	–
Sir Christopher Codrington, Bt.[7]	**2023**	**24,615**	–	–	–	–	–	**24,615**	**24,615**	–
(Non-Executive Director)	2022	120,000	–	–	–	–	–	120,000	120,000	–
Kaat Van Hecke[7]	**2023**	**24,615**	–	–	–	–	–	**24,615**	**24,615**	–
(Non-Executive Director)	2022	120,000	–	–	–	–	–	120,000	120,000	–

1. Stephen Whyte was remunerated in GBP and US$, Fiona Paulus, Chris Cox, Chris Hopkinson, Martin Gudgeon, Atul Gupta and Martin Cocker were remunerated in US$, Arfan Khan was remunerated in GBP and KZT and Kaat van Hecke was remunerated in EUR. For the purposes of this table, the following exchange rates have been used:
   2023: GBP: EUR 1.149; EUR: US$1.082; US$: KZT 456.13
   2022: GBP: EUR 1.178; EUR: US$1.061; US$: KZT 457.50
2. Arfan Khan received a bonus for his contribution to the operating, commercial, strategic and environmental objectives of the Group in 2023 and 2022. None of the bonus awarded to Arfan Khan was in relation to the appreciation or depreciation of the Company's share price. No other Executive Directors received bonuses in respect of 2023 or 2022.
3. Awards made under the LTIP in 2017 have vested but no awards have been exercised by the Executive Directors in respect of such awards. No awards made under the LTIP in 2018 are capable of vesting as the performance conditions were not met in 2018. No awards were made under the LTIP in 2023 or 2022.
4. The Company did not operate a pension scheme for Executive Directors in 2023 or 2022 but may make a pension contribution or a payment in lieu of pension contributions to Executive Directors under their employment contracts as executives of the Group as opposed to under their service agreements as Directors of the Company. The total amount paid to Executive Directors in 2023 in lieu of pension contributions was 40,378 USD (2022: USD 39,154). Executive Directors are not entitled to any additional benefit if they retire early.
5. Stephen Whyte, Fiona Paulus, Chris Cox, Chris Hopkinson and Martin Gudgeon received remuneration from the date of their appointment as Directors of the Company on 14 February 2023.
6. Atul Gupta received remuneration for his term of service until 14 February 2023 and monthly payments in lieu of 12 months' notice subsequent to 14 February 2023 and a payment of $3,462 in lieu of all accrued but unused holidays entitlement.
7. Martin Cocker, Sir Christopher Codrington and Kaat van Hecke were paid fees of $120,000 per annum. No additional amounts were payable for being Chair of any of the Board's committees nor the Senior Independent Non-Executive Director.

* Taxable benefits include travel, medical, disability insurances and other benefits.

Notes on the single total figure of remuneration table

Base salaries

Executive Directors' salaries were considered by the Committee at the time of appointment to post in 2020 and 2021.

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

Annual bonus

In 2023, Mr Khan was the only Executive Director eligible for a bonus.

In accordance with the Remuneration Policy approved in 2023, the maximum annual bonus opportunity for Mr Khan in respect of 2023 was 240% of base compensation.

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

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

2023 bonus performance measures	Weight
NFA Operations and Costs	**40%**
Achieve annual No-Further-Activity PDP volume available for sales from 7,793 boepd (0%) closer to P90 to 8,782 boepd (100 %) in the P50-10 range. Sliding scale.	15%
New Gas-Lift Compressor: Safe startup without any major HSE incident (LTI & HiPo free). Fully operational: 100% by August-1 to 0% by September 1. Sliding scale	5%
GTU3 Commissioning & Startup: Safe startup without and major HSE incident (LTI & HiPO free)	10%
UOG Tie-Back Startup of Nostrum's Scope (excludes UOG's scope): Safe startup without any major HSE incident (LTI & HiPO free)	5%
NFA Cost Focus (Opex + G&A): 0% if any increases, 30% if flat, and 100% if lower by 1 $mln. Sliding Scale (excludes indexation)	5%
Strategic Objectives	**50%**
A commercially sensitive strategic target, therefore not disclosed[1].	30%
A commercially sensitive strategic target, therefore not disclosed[1].	10%
A commercially sensitive strategic target, therefore not disclosed[1].	10%
HSE	**10%**
Achievement of the approved 2023 HSE Plan (provided that there have been no fatalities). **KPIs:** • Reduce GHG emissions with 5% of 2022 actual CO_2 equivalent level • Safety KPIs: LTI < 0.85 ; RTI < 0.75 ; TRIF < 1.9 ; Number of HSE stop cards > 1000 ; >60% participation of ZKM employees in HSE stop cards	10%
	100%

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

These bonus performance measures apply to the Chief Executive Officer only. No other director is eligible for any bonus payment relating to 2023 performance based on these performance measures.

The Committee considered the performance of the Chief Executive Officer in the period 1 January to 31 December 2023.

Production and cost KPIs were fully satisfied (40% out of a possible 40%), the strategic KPIs were entirely met (50% out of a possible 50%) and HSE KPIs were not met (0% out of a possible 10%). However, taking into account the fatality case, the Committee exercised its discretion and assessed the HSE KPIs as minus 10%, giving an overall achievement of 80% bonus of base compensation for the Chief Executive Officer for 2023 (GBP 360,000).

In addition in light of the Chief Executive Officer's achievements in 2023 being critical to the success of the Company, the Committee awarded the Chief Executive Officer a special discretionary bonus in respect of 2023 equal to of 59.5% of his base compensation (GBP 267,750).

The Company may provide for clawback or withholding provisions regarding annual bonuses. Clawback and withholding provisions do apply to LTIP awards for which performance conditions have been satisfied. Except as stated in relation to the Phantom Share Option Scheme and the LTIP, there are no deferral periods, vesting periods or holding periods. There are no performance targets or measures relating to more than one financial year.

Long-term incentive awards

In 2017, the Company implemented its new performance-based long-term incentive plan (LTIP) and granted additional awards on 28 November 2018.

The LTIP awards granted are based on performance over one calendar year, which is followed by an additional two-year holding period such that no awards may vest before the third anniversary of the date of grant.

The Committee decided not to make any awards in 2023, and so there is no information to be provided in relation to performance conditions for the reporting year.

Pension entitlements

The Company did not operate a pension scheme for Executive Directors in 2023 but may make a contribution to a private pension fund or a payment in lieu of pension contributions to Executive Directors, under their employment contracts as executives of the Group as opposed to under their service agreements as Directors of the Company.

Payments to past Directors

Following the end of his term of service on 14 February 2023, Atul Gupta was paid 12 monthly equal instalments in lieu of 12 months' notice and a payment of $3,462.00 in lieu of all accrued but unused holiday entitlement. No other payments were made to past directors of the Company during the year ended 31 December 2023.

Payments for loss of office

No payments were made to Directors in 2023 for loss of office.

Non-executive Director fees

From 1 January 2023 to 14 February 2023, Non-executive Director fees were 10K USD per month. On 14 February 2023, Non-executive Director fees were revised as follows:

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

Directors' shareholdings

The beneficial interests of the Directors in the share capital of the Company as at 31 December 2022 were as follows:

Director	Total (audited)
Atul Gupta	178,357
Arfan Khan	–
Sir Christopher Codrington, Bt.	3,312
Kaat Van Hecke	–
Martin Cocker	–

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

The beneficial interests of the Directors in the share capital of the Company as at 14 February 2023 and 31 December 2023 were as follows:

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

The Company has not been notified of any change in Directors' shareholdings since 31 December 2023.

Please refer to the text in the Remuneration Policy table on page 111 in relation to shareholding guidelines applicable to Directors.

No shares have been granted to Directors so there was no requirement on any Director to hold them in accordance with the guidelines. The Company's sole Executive Director Arfan Khan did not hold any shares in 2023 as encouraged by the guidelines.

Phantom share option plan

The Company operates one non-performance-related phantom share option plan (the Plan). The Executive Directors eligible to participate in the Plan were Kai-Uwe Kessel and Tom Richardson. Each held options over Ordinary Shares of the Company, generally vesting over a five-year period, exercisable at either US$4.00 or US$10.00 per Ordinary Share and expiring 10 years from the date of grant, pursuant to the Plan.

Mr Kessel left the Company by mutual consent on 16 December 2019 and, in accordance with the terms of the Plan, all outstanding options lapsed as at the same date.

Mr Richardson resigned as Chief Financial Officer and as a Director of the Company on 31 March 2020 and, in accordance with the terms of the Plan, all outstanding options lapsed on 30 March 2021.

No awards were made under the Plan in 2023 (2022: nil). It is intended that following the restructuring, a new management incentive plan will be introduced which will replace the Plan going forward. Therefore, it is not currently envisaged to make any further awards under the Plan.

The Plan rules do not contain any malus or clawback mechanisms. However, should further awards be considered under the Plan, then management will require any recommendations by the Company to the option trustee of an option award to be made subject to an express right for the Company to suspend further vesting and to claw back unvested options previously awarded where there have been exceptional circumstances of misstatement or misconduct, misbehaviour, significant risk failures or material downturns in the Group's financial performance prior to vesting.

Long-term incentive plan

On 24 August 2017, the Board approved the making of certain initial grants under the Company's new long-term incentive plan (LTIP). Awards under the LTIP were made in 2017 and 2018 but no further awards were made in 2019, 2020, 2021, 2022 or 2023.

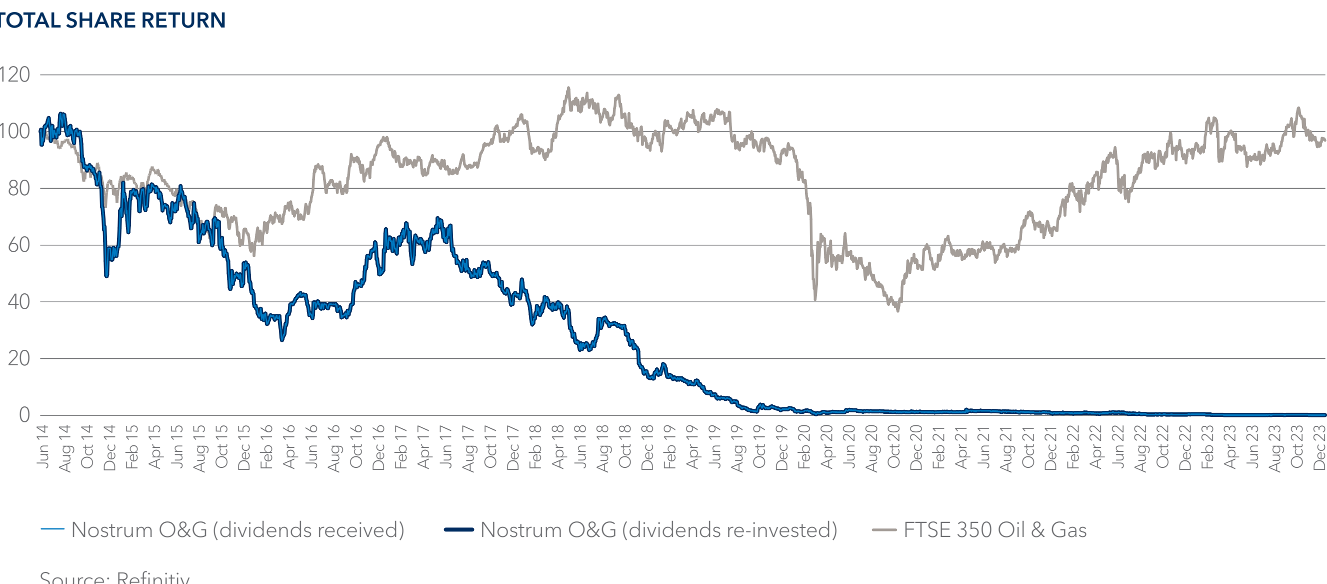
In accordance with the LTIP rules, all outstanding options that had been issued to two Executive Directors, Mr Kessel and Mr Richardson, who left the Company on 16 December 2019 and 31 March 2020, respectively, lapsed as of 16 December 2019 and 30 March 2021, respectively.

All Non-Executive Directors who had been granted awards under the LTIP (including Atul Gupta) have formally renounced such awards and the Company has amended the terms of its LTIP to make Non-Executive Directors ineligible to participate in the LTIP.

Remuneration statistics and comparisons

The following performance graph shows the growth in value of a notional £100 invested in the Company since the premium listing of the Company compared with the growth in the FTSE 350 Oil & Gas Index over the same period. The Committee selected the FTSE 350 Oil & Gas Index as the most appropriate comparator as it feels that it is a broad-based index which includes many of the Company's competitors.

TOTAL SHARE RETURN



Source: Refinitiv

History of Chief Executive Officer remuneration

The total remuneration figures compared with a respective maximum opportunity for the Chief Executive Officer during each of the last ten financial years are shown in the table below. Kai-Uwe Kessel was in the position for the period 1 January 2014 to 16 December 2019, Kaat Van Hecke was the Chief Executive Officer from 16 December 2019 to 31 August 2020 and Atul Gupta from 1 September to 25 January 2021.

The total Chief Executive Officer remuneration figure for 2020 therefore includes all amounts paid to Kaat van Hecke for the period 1 January 2020 to 31 August 2020 and Atul Gupta for the period 1 September 2020 to 31 December 2020 for Chief Executive Officer services provided to the Group. Mr Gupta remained as Executive Chairman throughout the period 1 September 2020 to 25 January 2021. Therefore, the amount attributed to his role as Chief Executive Officer is the incremental value in his remuneration only, which was the pension contribution.

Please refer to the single total figure of remuneration table on page 102 for more information.

Year	Total CEO remuneration (USD)	Annual bonus as % of maximum opportunity
2014	2,726,930[1]	100.00%
2015	1,078,059	80.00%[2]
2016	1,013,718	75.00%
2017	1,004,305	31.25%
2018	732,271	0.00%
2019[3]	1,577,014	0.00%
2020[4]	1,284,577	60.33%
2021[5]	948,525	12.61%
2022	1,453,649	53.13%
2023	**1,535,511**	**58.14%**

1. Total CEO remuneration for 2014 includes remuneration from the exercise of share options.
2. These figures include a bonus amount of EUR 236,262 paid in 2015 in respect of 2014 performance. No bonuses were paid for 2015 performance.
3. The amounts published in 2021 in respect of payments to Kaat Van Hecke in 2019 have been corrected to include the amount of EUR 32,006 paid to her spouse in 2019.
4. The amounts published in 2021 in respect of payments to Kaat Van Hecke in 2020 have been corrected to include amount of EUR 423,031 paid to her spouse in 2020.
5. Kaat Van Hecke was Chief Executive Officer from 16 December 2019 to 31 August 2020. Atul Gupta discharged the role of Chief Executive Officer from 1 September 2020 to 25 January 2021 but received no increment in salary, benefits or annual bonus as a result of assuming this role as well as that of Executive Chairman. Therefore, the figures for the remuneration of the Chief Executive Officer in 2019, 2020 and 2021 reflect only the amounts paid to Kaat Van Hecke (and her spouse) and Arfan Khan.

Annual percentage change in Director and average employee remuneration

The table below shows the percentage changes in the salary, benefits and annual bonus of the Directors compared to the percentage increases of the workforce as a whole for each financial year beginning on or after 10 June 2019.

	2023 USD	2023 to 2022 % change	2022 USD	2022 to 2021 % change	2021 USD	2021 to 2020 % change	2020 USD
Executive Directors (USD)							
Executive Chairman[1]							
Salaries	**538,748**	3.9%	518,575	1.2%	512,203	(0.1%)	512,776
Taxable benefits	**3,967**	2.0%	3,888	(7.6%)	4,209	(705.6%	522
Annual bonus	**–**	–	–	–	–	–	–
Chief Executive Officer[2]							
Salaries	**686,555**	0.4%	683,814	0.1%	683,330	(37.9%)	1,100,965
Taxable benefits	**28,183**	104.8%	13,763	(70.2%)	46,124	255.2%	12,985
Annual bonus	**780,395**	8.9%	716,919	309.7%	175,000	50.3%	116,405
Chief Financial Officer[3,4]							
Salaries	**–**	–	–	–	446,338	(47.6%)	851,099
Taxable benefits	**–**	–	–	–	–	(100%)	3,530
Annual bonus	**–**	–	–	–	–	–	–
Non-Executive Directors (USD)							
Stephen Whyte							
Salaries	**259,038**	100%	–	–	–	–	–
Taxable benefits	**–**	–	–	–	–	–	–
Annual bonus	**–**	–	–	–	–	–	–
Chris Cox							
Salaries	**95,897**	100%	–	–	–	–	–
Taxable benefits	**–**	–	–	–	–	–	–
Annual bonus	**–**	–	–	–	–	–	–
Chris Hopkinson							
Salaries	**95,897**	100%	–	–	–	–	–
Taxable benefits	**–**	–	–	–	–	–	–
Annual bonus	**–**	–	–	–	–	–	–
Martin Gudgeon							
Salaries	**91,667**	100%	–	–	–	–	–
Taxable benefits	**–**	–	–	–	–	–	–
Annual bonus	**–**	–	–	–	–	–	–
Fiona Paulus							
Salaries	**95,897**	100%	–	–	–	–	–
Taxable benefits	**–**	–	–	–	–	–	–
Annual bonus	**–**	–	–	–	–	–	–
Sir Christopher Codrington Bt							
Salaries			120,000	–	120,000	27.5%	94,098
Taxable benefits	**–**		–	–	–	–	–
Annual bonus	**–**		–	–	–	–	–
Kaat Van Hecke							
Salaries			120,000	–	120,000	300.4%	29,968
Taxable benefits	**–**		–	–	–	–	–
Annual bonus	**–**		–	–	–	–	–
Martin Cocker							
Salaries			120,000	200%	40,000	45.5%	27,500
Taxable benefits	**–**		–	–	–	–	–
Annual bonus	**–**		–	–	–	–	–

	2023 USD	2023 to 2022 % change	2022 USD	2022 to 2021 % change	2021 USD	2021 to 2020 % change	2020 USD
Mark Martin							
Salaries			–	–	–	(100%)	51,023
Taxable benefits	**–**		–	–	–	–	–
Annual bonus	**–**		–	–	–	–	–
Michael Calvey							
Salaries			–	–	–	(100%)	25,000
Taxable benefits	**–**		–	–	–	–	–
Annual bonus	**–**		–	–	–	–	–
Simon Byrne							
Salaries			–	–	–	(100%)	25,000
Taxable benefits	**–**		–	–	–	–	–
Annual bonus	**–**		–	–	–	–	–
Employees of the Group on an FTE basis							
Salaries	**–**		22,412	0.8%	22,242	(2.0%)	22,693
Taxable benefits	**–**		–		–		–
Annual bonus	**–**		–		–		–

1. Amounts paid to the Executive Chairman in 2023 represent remuneration paid to Atul Gupta until 14 February 2023 and payments in lieu of 12 months' notice as monthly equal instalments over 12-month period following the end of his term of service on 14 February 2023.
2. Kaat Van Hecke was Chief Executive Officer from 16 December 2019 to 31 August 2020. Atul Gupta discharged the role of Chief Executive Officer from 1 September 2020 to 25 January 2021 but received no increment in salary, benefits or annual bonus as a result of assuming this role as well as that of Executive Chairman. Therefore, the figures for the remuneration of the Chief Executive Officer in 2019, 2020 and 2021 reflect only the amounts paid to Kaat Van Hecke (and her spouse) and Arfan Khan.
3. The CFO was not a Director in 2022 and 2023.
4. The amounts published in 2021 in respect of payments to Mr Richardson in 2020 have been corrected to include amounts paid to his spouse in 2020. The amounts for 2021 only include Chief Financial Officer's compensation up until 30 August 2021, at which time the position was removed as an Executive Director.

Relative importance of spend on pay

The table below shows the Group's actual spend on pay (for all employees) relative to dividends.

Key expenditure areas in thousands of US$	2023	2022	% change
Remuneration paid to all employees[1]	**26,082**	22,412	16.4%
Dividends to shareholders (total)	**0**	0	0%
Dividends	**0**	0	0%
Share buy-back	**0**	0	0%

1. Total remuneration reflects overall payroll and related taxes. Refer to the consolidated financial statements for further information.

For further information on dividends and expenditure on remuneration for all employees, please see the notes to the consolidated financial statements.

Service contracts

Details of the Executive Directors' service agreements' and the Non-Executive Directors' letters of appointment can be found in the Company's Remuneration Policy on pages 109-115 of this Annual Report. All Directors are subject to annual reappointment and accordingly all executive and Non-Executive Directors will stand for election or re-election (as appropriate) at the Annual General Meeting.

Statement of 2022 Remuneration Policy implementation

The Company's Remuneration Policy was put to a shareholder vote at the 2023 Annual General Meeting and was approved by 80.30% of votes cast.

Salaries and bonuses of the Executive Directors are reviewed and determined annually to ensure they remain appropriate. The Company's bonus year runs from 1 January to 31 December each year, with bonus amounts being determined between December and March and becoming payable between March and April of each year.

Remuneration in respect of 2024 will be consistent with the current policy described on pages 109-115 of the Company's 2023 annual report.

Salaries and service fees

The Group appointed a new Chief Executive Officer on 26 January 2021. As part of that process, the level of remuneration to be paid was agreed by the Committee and approved by the Board.

Annual bonus

In accordance with the remuneration policy approved at the 2023 AGM, the maximum Executive Director annual bonus opportunity in respect of 2023 was up to 40% of base compensation, subject to a maximum opportunity for the Company's Chief Executive Officer, of an annual bonus of up to 240% of base compensation and a maximum opportunity of 100% of base compensation for the Company's Chief Financial Officer (if a Director).

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

The Committee has compiled a list of suitable key performance indicators against which the performance of the Executive Directors will be measured at the end of 2024 to determine the annual bonus amounts payable to Executive Directors in 2025. Details of any non-commercially sensitive KPIs are set out below. 2024 performance will be measured against these key performance indicators and the Committee will consider such performance together with the Company's financial position, in deciding whether and at what level to award.

2024 bonus performance measures	Weight
NFA Operations and Costs	**50%**
Achieve annual Chinarevskoye field No-Further-Activity PDP volume available for sales from P90 of 6,195 boepd (0%) to P50 of 6,698 boepd (100%). Sliding scale.	20%
Sulphur Recovery Unit: Mechanical completion of the Sulphur Recovery unit upgrade without any major HSE incident (LTI). 100% by May 1st and 100% to 0% by July 1st, sliding scale.	5%
NFA Cost Focus (Opex + G&A). Target spend: Opex ($38.0mln) & G&A ($11.3mln). 0% if any increases, 30% if flat, and 100% if lower by 1 $mln. Sliding Scale	10%
Drill, Complete and Deliver wells Ch-301 and Ch-41_1_1 to planned mechanical objectives and within the approved budget (100%) sliding scale to 0% in case of 10% over budget. To be split 7.5% on budget achievement and 7.5% on well success.	15%
Strategic Objectives	**40%**
A commercially sensitive strategic target, therefore not disclosed[1].	10%
A commercially sensitive strategic target, therefore not disclosed[1].	10%
A commercially sensitive strategic target, therefore not disclosed[1].	20%
HSE	**10%**
Achievement of the approved 2024 HSE Plan (provided that there have been no fatalities. In the case of a fatality 10% additional will be deducted from the overall weighting.). **KPIs:** • GHG emissions not to exceed target set by the National GHG Allocation of 203,562 CO_2. or equivalent level; • Safety KPIs: LTI < 1.05 ; RTI < 0.75 ; TRIF < 1.9	10%
	100%

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

The percentage result (from the above table out of 100%) will be applied to 100% of the Chief Executive Officer's base compensation and may also be applied to a percentage up to the Chief Financial Officer's maximum opportunity of 100% (if he is appointed as a Director). Currently, no other director is eligible for any bonus payment relating to 2024 performance based on these performance measures.

The CEO's maximum possible total bonus opportunity for 2024 is 240% of base compensation and his bonus opportunity based on the performance measures in the table above is 100% of base compensation. If appointed to the Board, the CFO's maximum possible total bonus opportunity for 2024 will be 100% of base compensation.

Phantom share option plan

The Committee does not envisage the award of any additional phantom share options to Executive Directors in 2024.

Long-term incentive plan

The Committee does not envisage any awards under the Company's existing long-term incentive plan in 2024. Therefore, no performance conditions have been set for 2024.

Non-Executive Directors

From 1 January 2023 to 14 February 2023, Non-executive Director fees were 10K USD per month.

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

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

Remuneration Policy

This part of the Directors' remuneration report sets out the Remuneration Policy for the Company and has been prepared in accordance with the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UK Corporate Governance Code and the Listing Rules of the UK Listing Authority.

The Company's current remuneration policy was approved by shareholders at the Company's 2023 AGM.

Policy coverage

This Policy applies to all payments to Directors of the Company from the date of the Company's 2023 AGM and until the approval of a revised Remuneration Policy.

Policy objectives

This policy is designed to:

- Provide that the Company may not make any LTIP awards to its Non-Executive Directors or Chairman;
- Provide a structure and level of pay that attracts and retains high-calibre directors capable of delivering the Company's strategic objectives;
- Provide clear and transparent performance incentives in a manner that is consistent with best practice and aligned with the interests of the Company's shareholders;
- Align the remuneration of executives with the interests of the Company's shareholders, and ensure that rewards are justified by performance;
- Ensure that the pay of the Executive Directors takes into account: (i) pay and conditions throughout the Company; and (ii) corporate governance best practice, including health and safety, environmental, social and governance risks;
- Allow for future bonuses to be paid in whole or part in deferred shares; and
- Allow for pension contributions to Executive Directors for their services under service contracts up to a 10% maximum opportunity, or higher if required by applicable law.

Peer group

For the purposes of benchmarking appropriate compensation, the Committee currently regards the following companies as the most relevant peer group for Nostrum:

- FTSE 350 companies of a similar size to Nostrum;
- Oil and gas E&P companies globally which compete for scarce skills within the industry; and
- Companies operating predominantly in the FSU which compete for expatriate and local staff.

Risk management

The Committee will review incentive arrangements regularly to ensure that they comply with the Group's risk management systems, and that controls are operating effectively. The Committee also ensures that inappropriate operational or financial risk-taking is neither encouraged nor rewarded through the Company's remuneration policies. Instead, a sensible balance will be struck between fixed and variable pay, short- and long-term incentives and cash and equity.

The Committee has access to the Audit Committee and senior executive management as and when required to discuss any matters of risk assessment.

Nostrum operates in an industry that is inherently subject to operational risks. Particular emphasis is therefore placed on ensuring that health and safety best practice is reinforced by this Policy. The Committee consults regularly to ensure that this is the case.

Ongoing review of Policy

The Committee will periodically review whether this Policy is operating appropriately. Any actions arising from this review will be assigned to an appropriate person with a deadline to report back to the Committee. The level and structure of the compensation system will also be reviewed annually by the Committee.

Remuneration Policy table

The table on the following pages sets out the key components of the reward package for Executive Directors

Executive Directors' Remuneration Policy table

Element of pay	Purpose and link to strategy	Maximum opportunity	Operation	Performance criteria
BASE PAY	To provide market-competitive base salaries.	There is no prescribed maximum annual increase. The Committee takes into account remuneration levels at peer group companies together with the performance of the Company and each individual's personal contribution.	Base salary is reviewed annually and fixed for 12 months.	None
BENEFITS	To reflect market practice and provided in line with peer companies.	The aggregate value of such benefits should not constitute a significant proportion of any employee's compensation.	Benefits include: • Medical insurance; • Life insurance; • Permanent health insurance (long-term disability or income protection insurance); and • A Company car may be provided for the Chief Executive Officer. • The Company may make payments to Directors in lieu of benefits and may also make separate benefit arrangements for Executive Directors in connection with their service as Executives of Group.	None

Element of pay	Purpose and link to strategy	Maximum opportunity	Operation	Performance criteria
ANNUAL BONUS	Executive Directors may be eligible for an annual bonus in cash and/or deferred shares for good performance (as determined at the Board's discretion).	Maximum opportunity of 240% of base compensation for the Chief Executive Officer, Arfan Khan. Maximum opportunity of 100% of base compensation for the Company's Chief Financial Officer (if a Director). In all other cases, maximum opportunity of 40% of base salary.	The annual bonus is generally determined by reference to performance in the prior calendar year. Annual bonuses are generally paid sometime between April and August of each year. Malus and clawback provisions apply to the award of annual bonuses such that Executive Directors may be liable to repay some or all of their annual bonus if there is a material misstatement of results, or error in calculation of any KPI, or serious misconduct. The discovery period is one year commencing on the date on which the bonus is determined.	Key performance indicators against which the performance of the Executive Directors will be measured in the following year are determined at the end of each year and all non-commercially-sensitive key performance indicators are disclosed in the Directors' Remuneration Report. Any commercially sensitive performance measures will be disclosed retrospectively following completion of the relevant financial year. Performance against key performance indicators for the previous year is also disclosed in the Directors' Remuneration Report to show how the Board has determined Executive Director performance against the relevant key performance indicators for that year, and consequently the levels of annual bonus payable to the Executive Directors.
NOSTRUM OIL & GAS PLC 2017 LONG-TERM INCENTIVE PLAN (LTIP)	To incentivise Executive Directors and employees over a longer timeframe, and to increase their interest in the Company's long-term business goals and performance through share ownership. To help retain executives and other key employees, and align their interests with shareholders through building a shareholding in the Company.	200% of base salary in any financial year.	Awards of nominal-cost options are made at the sole discretion of the Committee. It was anticipated that awards would be granted annually in the period 2017 to 2019 subject to annual performance conditions. Generally, awards have a one-year performance period attached to them and will not vest for an additional two years following the date on which the Committee determines whether or not a performance condition has been wholly or partly satisfied, such that no award may vest before the third anniversary of the date of grant. The Committee has the discretion to decide, on or before the grant of an award, that a participant shall be entitled to receive dividend equivalents arising over the period between the grant date and the vesting date, with such amounts being payable in cash or shares in respect of shares which vest. Malus and clawback provisions apply to the LTIP such that participants are liable to repay/forfeit some or all of their shares if there is a material misstatement of results, or error in calculation, or if there is serious misconduct. The discovery period is three years commencing on the date on which the award vests, which can be extended by the Committee for an additional two years if an event occurs which the Committee determines could result in the operation of recovery or withholding provisions.	Performance measures are generally measured over one year though the Committee has the discretion to apply a longer performance period to awards. The Committee has the discretion to set any performance condition attaching to awards granted under the LTIP. Vesting of awards would ordinarily be based: • In part on average accrued sales volumes measured in barrels of oil equivalent per day; and • In part on reserves measurement on the basis of 2P barrels of oil per share.

Element of pay	Purpose and link to strategy	Maximum opportunity	Operation	Performance criteria
PHANTOM SHARE OPTION PLAN (THE PLAN)	The Board places great importance on minimising dilution of existing shareholders' equity. Share awards will therefore only be made to senior management who are able to make a material contribution to shareholder value that substantially exceeds the value of any share awards made. The Plan has effectively been replaced by the LTIP and no awards were made under the Plan in 2019, 2020, 2021 and 2022.	Share awards will only be made on the basis of achieving concrete long-term objectives defined in advance by the Committee. Share awards will vest over several years. In accordance with the Plan rules, the total number of shares that may be granted pursuant to the Plan is five million.	Intertrust Employee Benefit Trustee Limited administers the Plan and is responsible for granting rights under the Plan. Each right entitles holders to receive, on exercise, a cash amount equal to the excess of the market value on the exercise date of the Ordinary Shares of the Company to which it relates over a base value set at the date of grant. All Executive Directors of the Company are eligible to participate in the Plan at the discretion of the Board. Awards vest on the basis described in the notes on the following page. Long-term objectives are to be reviewed at every Committee meeting to ensure that they are appropriate, relevant and rigorous. Share awards made in future may be reduced at any time prior to vesting, at the discretion of the Committee, following events such as (but not restricted to) a material misstatement of results, failure of risk management, breach of health and safety regulations or serious reputational damage to the Company.	None
PENSIONS	To remain competitive in the marketplace and provide income in retirement.	10% or, if higher, any minimum pension contribution which may be required under applicable law.	There are ordinarily no pension contributions or provisions for Directors, although there may be pension arrangements made for Executive Directors in connection with their service as executives of Group companies.	None
SHAREHOLDING GUIDELINE	Aligns interests of executive directors with those of shareholders.	Executive Directors are encouraged to maintain a holding in the Company to align their interests with shareholders.	If the Company grants shares to Directors outside the LTIP by way of bonus or otherwise, they will be required to hold 50% of such shares for a three-year period. The Committee monitors the holdings of all Directors.	None

Non-Executive Directors' Remuneration Policy table

FEES FOR NON-EXECUTIVE DIRECTORS AND CHAIRMAN	Attract and retain high-performing individuals.	No prescribed maximum annual increase in fees.	Any fee increases are usually considered at the end of each year and the Board and, where applicable, the Committee considers pay data at comparable companies of a similar scale. The chairs of the Committees receive additional fees. No eligibility for participation in bonuses but limited benefits may be delivered (e.g. provision of iPad and travel-related expenses). Non-Executive Directors and the Chairman are not eligible to participate in the LTIP.	None

Phantom share option plan

The Company operates the Plan in accordance with the Plan rules, the Listing Rules, the Disclosure and Transparency rules and other applicable rules. In order to retain talent, options are generally granted in tranches exercisable at the following times:

- As to 20% of the Ordinary Shares in respect of which an option is granted, from the first anniversary of the date of grant;
- As to a further 20% of the Ordinary Shares in respect of which an option is granted, from the second anniversary of the date of grant;
- As to a further 20% of the Ordinary Shares in respect of which an option is granted, from the third anniversary of the date of grant;
- As to a further 20% of the Ordinary Shares in respect of which an option is granted, from the fourth anniversary of the date of grant; and
- As to the remaining 20% of the Ordinary Shares in respect of which an option is granted, from the fifth anniversary of the date of grant.

The Board retains discretion over a number of areas relating to the operation and administration of the Plan, which include, but are not limited to: (i) who participates; (ii) the timing of the grant of an award; and (iii) the size of the award.

Dividend waiver

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

Treatment of existing arrangements

For the avoidance of doubt, authority is given to the Company to honour any commitments entered into with current or former Directors notwithstanding the approval of the Policy. This will last until the existing incentives vest (or lapse) or the benefits of any contractual arrangements no longer apply.

Remuneration scenarios for Executive Directors

The bar charts below provide estimates of the potential remuneration of the executive directors for 2024.

Three scenarios are presented for each executive director which are based on the following assumptions:

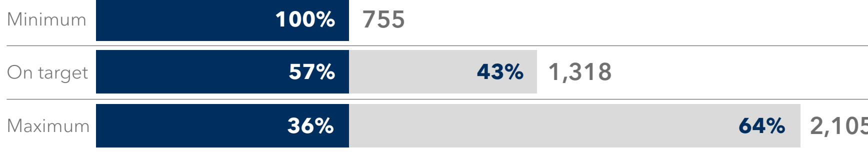
The "minimum" columns are intended to show the fixed level of remuneration to which executive directors are entitled in 2024 irrespective of performance levels, namely base salary, benefits using the details set out in the single-figure table provided on page 102 (which includes any payments made in lieu of benefits made under the executive directors employment contracts for their roles as executives of the Group and not under their service contracts as executive directors) and any payments made in lieu of the provision of a pension scheme (which are paid under the executive directors employment contracts for their roles as executives of the Group and not under their service contracts as executive directors). No bonus payments are assumed for minimum performance.

The "on target" scenario seeks to illustrate the remuneration the executive directors would receive if performance was in line with expectation.

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

As stated above, no Executive Director participated in the LTIP or the Phantom Share Option Scheme in 2023 and the Board will not award any shares under the Phantom Share Option Scheme in 2024. The Committee does not envisage any awards under the Company's existing long-term incentive plan in 2024. Therefore, no performance conditions have been set for 2024.

ARFAN KHAN – CHIEF EXECUTIVE OFFICER (Amounts in USD thousand)



Recruitment

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

- The objective of attracting, motivating and retaining the highest calibre directors in a manner that is consistent with best practice and aligned with the interests of the Company's shareholders;
- Salary, benefits, annual bonus and long-term incentives will be determined within the framework of the Remuneration Policy table on pages 109-111;
- Where an individual would be forfeiting valuable remuneration in order to join the Company, the need to retain flexibility should be considered in order for the Committee to be able to set base salaries at a level necessary to facilitate the hiring of the highest calibre candidates, including awards or payments to compensate for remuneration arrangements forfeited on leaving a previous employer. The Committee would require reasonable evidence of the nature and value of any forfeited compensation and would, to the extent practicable, ensure any compensation awarded was no more valuable than the forfeited award;
- Judgement will be exercised to determine the appropriate measure of compensation for any forfeited award by taking account of relevant factors such as the value of any lost award, performance conditions and the time over which they would have vested or been paid;
- Where an existing employee of the Company is promoted to the Board, the Company will honour any commitment to remuneration made in respect of a prior role, including any outstanding awards of options under the Plan;
- The need, in order to recruit the best candidates, for the Company to offer sign-on remuneration, the necessity and level of which will depend on circumstances; and
- Where an individual is relocating in order to take up a role, the Company may provide certain one-off benefits including, but not limited to, reasonable relocation expenses, accommodation, housing allowance and assistance with visa applications.

In making any decisions on remuneration for new joiners (including NEDs), the Committee will endeavour to balance the expectations of shareholders with current market and corporate governance best practice and the requirements of any new joiner, and would strive to pay no more than is necessary to attract the right talent to the role.

Service agreements

As at 31 December 2023, summary details of each Director's service agreement were as follows:

	Director's service agreement date	As most recently amended (USD)
Arfan Khan	26 January 2021	562,289

1. The remuneration of Arfan Khan is denominated in GBP. 2023: GBP/USD: 1,243.
2. Annual salary and fees represents the total salary and fees (excluding benefits/pension, and discretionary remuneration) from the Group for both the Director's executive and director service roles.

The appointment of each Executive Director continues until the Company's Annual General Meeting and their ongoing appointment is subject to being re-elected as a director at each subsequent Annual General Meeting. Any Executive Director may be required to resign at any time in accordance with the Company's Articles or for any regulatory reason such as the revocation of any approvals required from the Financial Conduct Authority (FCA).

The Company may lawfully terminate any Executive Director's employment in the following ways:

- At any time upon 6 months' written notice; and
- Without notice in circumstances where the Company is entitled to terminate for cause.

The lawful termination mechanisms described above are without prejudice to the employer's ability in appropriate circumstances to terminate in breach of the notice period referred to above, and thereby to be liable for damages to the Executive Director.

The Executive Directors are not permitted to take up any office or employment with, or have any direct or indirect interest in, any firm or company which is in direct or indirect competition with the Company or any other member of the Group, or any company in which any member of the Group has an interest, without the consent of the Board.

In addition, the Chief Executive Officer is subject to non-solicitation covenants in relation to Group companies for 12 months from the date of termination of his service contract.

Copies of the Executive Directors' service agreements and the Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting.

Payments for departing Executive Directors

Provision	Policy
Notice period and compensation for loss of office in service contracts	6 months' notice from the Company to Arfan Khan. Base salary is paid in line with the notice period. Notice period payments will either be made as normal (if the Executive Director continues to work during the notice period or is on gardening leave) or they will be made as monthly payments in lieu of notice (subject to mitigation if alternative employment is found).
Treatment of annual bonus on termination	No entitlement.
Treatment of unvested share option awards under the Plan	An Executive Director's awards will generally lapse to the extent they have not vested on the date of voluntary cessation of employment and any portion that remains outstanding but unexercised after 12 months following such cessation will lapse. Mr Khan did not participate in the Plan in 2023.
Treatment of unvested awards under the LTIP	For a Director considered to be a "good leaver" before the original vesting date (including leaving the Company on retirement, redundancy, ill health, as a result of death in service or in other circumstances determined by the Committee), outstanding awards will be pro-rated for time and vest subject to performance on the original vesting date. For a director who is considered a "good leaver" after the original vesting date, any awards will remain exercisable for a period of 12 months commencing on the date of cessation. For a Director whose employment is terminated for any other reason, the award will lapse in full. Mr Khan did not participate in the LTIP in 2023.

In particular circumstances, an arrangement may be agreed to facilitate the exit of a particular individual. Any such arrangement would be made bearing in mind the desire to minimise costs for the Group and only in circumstances where it is considered in the best interests of shareholders.

Change of control

In accordance with the LTIP rules and the terms of the awards granted in 2017 and 2018 under the LTIP, if there is a sale of all or substantially all of the Company or the Company's business in circumstances where such sale has been approved by a majority of shareholders and is at a price of $10 per share or more, then all awards granted will vest in full regardless of the achievement or otherwise of applicable performance conditions on the date of such event if they have not already vested, and all awards will remain exercisable for one month from such date. To the extent that any option is not exercised in such period, it shall lapse at the end of that period.

Non-Executive Directors

The Chairman and Executive Directors set the remuneration package for Non-Executive Directors in line with the Non-Executive Directors' Remuneration Policy table and subject to the Company's Articles of Association (the Articles).

Remuneration Policy for Non-Directors

Employees who are not directors are generally eligible for annual performance-based bonuses and may also be eligible for other bonuses at varying percentages of their base compensation. Some employees are also participants in the LTIP and Plan.

Non-Executive Director appointment letters

The following table provides details of Non-Executive Director appointment letters as at 31 December 2023:

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

Each appointment is for an initial term of three years, subject to being re-elected at each Annual General Meeting, save that a Non-Executive Director or the Company may terminate the appointment at any time upon one month's written notice, or that a Non-Executive Director may be required to resign at any time in accordance with the Articles of the Company, the UK Corporate Governance Code or for any regulatory reason such as the revocation of approvals required from the FCA.

Each of the Non-Executive Directors is entitled to an annual fee paid in twelve equal instalments and to reimbursement of reasonable expenses. There is no entitlement for Non-Executive Directors to participate in the Plan or the LTIP.

The Non-Executive Directors are not permitted to take up any office or employment with, or have any direct or indirect interest in, any firm or company that was in direct or indirect competition with the Company without the consent of the Board.

Upon termination of the appointment and where such termination is for any reason other than due to the Non-Executive Director's gross misconduct, material breach of the terms of the appointment, act of fraud or dishonesty or wilful neglect of the Non-Executive Director's duties, the Non-Executive Director is entitled to be paid a pro-rated amount of their fees in respect of the period between the beginning of the quarter in which termination took place and the termination date.

Otherwise, none of the Non-Executive Directors is entitled to any damages for loss of office and no fee is payable in respect of any unexpired portion of the term of the appointment.

The Company intends to comply with Provision 18 of the UK Corporate Governance Code and accordingly all Directors will stand for re-election by shareholders at future Annual General Meetings until the Board determines otherwise.

Statement of consideration of employment conditions elsewhere in the Company

We have not consulted with employees on the executive Remuneration Policy. However, when determining the Policy for Executive Directors we have been mindful of the pay and employment conditions of employees across the Group as a whole.

Statement of consideration of shareholder views

Senior executive management of the Company regularly meet with shareholders and solicit their views on the Company's policies in relation to Director and Executive remuneration, and take such views into account when formulating remuneration policies and remuneration levels in specific cases.

Approval of the Directors' remuneration report

The Directors' remuneration report was approved by the Board on 18 April 2024.

On behalf of the Board

Arfan Khan
Chief Executive Officer

18 April 2024

Directors' report

The Directors submit their report and the consolidated audited financial statements of the Group and the audited parent financial statements of the Company for the year ended 31 December 2023.

This report has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The following are incorporated by reference and shall be deemed to form part of this Directors' Report:

- The Strategic Report on pages 1-81;
- The Board and Governance report (which includes the Board, the Corporate Governance Report and the Directors' Remuneration Report) on pages 82-115; and
- The energy and global greenhouse gas emissions disclosure on pages 70-72.

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

Subject matter	Page
Likely future developments within the Group	39-40
Related party transactions	105
Going concern statement	46
Financial position and performance of the Group	41-47
Greenhouse gas emissions	70-72
Directors' share interests	104
Corporate governance statement	82-83
Diversity	60-63

Directors

Full biographical details of all Directors (Atul Gupta, Sir Christopher Codrington, Bt, Martin Cocker, Kaat Van Hecke, Arfan Khan) of the Company who held office at some point during the year ended 31 December 2023 and the Board Committees of which they were members are set out on pages 84-85 of this Annual Report.

Full biographical details of all current Directors of the Company and the Board Committees of which they are members are set out on pages 84-85 of this Annual Report.

Dividends

No dividends were paid during the year ended 31 December 2023.

No dividend is proposed to be paid in 2024 in respect of the year ended 31 December 2023.

Auditor

In accordance with section 418(2) of the Companies Act 2006, each Director in office at the date of this Directors' Report confirms that (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware and (b) the Director has taken all the steps that he/she ought to have taken as a Director to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

The appointment of MHA as auditors to the Group was approved by shareholders at the Company's 2023 AGM.

The appointment of MHA as auditors to the Group will be put to shareholders for approval at the 2024 AGM.

Directors' liabilities and indemnities

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

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

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

i. providing compensation for losses suffered in the course of acting as a Director or officer in the interests of the Group,

ii. providing Directors and officers with quality external legal representation and external professional advisers,

iii. assisting Directors or officers with repatriation following a third-party claim,

iv. continuing to make payment of a Director's or officer's remuneration and benefits while such Director or officer is under suspension, investigation or detention by order of a third party,

v. taking reasonable steps to place any such Director or officer in a similar position working in another location or elsewhere in the Group which would allow his/her employment to continue and to compensate for any adverse financial consequences they incur as a result of their loss of office, or (vi) maintaining customary Directors' and officers' liability insurance policies.

The deed of indemnity is intended to cover any insufficiency in the protection granted to Directors and officers under the Articles which could expose such persons to substantial liability to third parties, including governmental authorities, in particular in jurisdictions where significant uncertainty exists in relation to the interpretation and application of the law. The deed of indemnity allows Directors, officers and other designated beneficiaries to enforce the protection provided for under the Articles without any further action by the Company being required.

Political donations

The Group made no political donations during the year 2023.

Contributions to non-UK political parties

No contributions to non-UK political parties were made during the year 2023.

Research and development

The Group is not involved in any activities in the field of research and development.

Branches

The Company is registered in England and Wales and during 2018 moved its place of effective management and tax residence from the Netherlands to the United Kingdom. As the Group is a global business, our interests and activities are held or operated through subsidiaries and branches and subject to the laws and regulations of many different jurisdictions.

Share capital

As at 31 December 2023, the Company's issued share capital was £16,938,159.646 divided into 169,381,561 Ordinary Shares each having a nominal value of £0.01 and 15,244,344,036 deferred shares each having a nominal value of £0.001 (the "Deferred Shares"). All of the Company's issued Ordinary Shares were fully paid up and rank equally in all respects and the Deferred Shares have no voting rights in the capital of the Company. The Company intends to cancel the Deferred Shares in due course. The rights attached to the Ordinary Shares and Deferred Shares, in addition to those conferred on their holders by law, are set out in the Articles. The existing ordinary shareholders were diluted to 11.1% subject to further dilution to 10% if the warrants held by noteholders are exercised.

Intertrust Employee Benefit Trustee Limited (the Trust) holds shares in the Company in trust for the purposes of the Company's phantom share option plan, and the rights attaching to these shares are exercised by independent trustees. As at 31 December 2023, the Trust held 294,887 Ordinary Shares in the Company.

Share rights

Without prejudice to any rights attached to any existing shares, the Company may issue shares with rights or restrictions as determined by either the shareholders by ordinary resolution or, subject to and in default of such determination, the Board.

Voting rights

There are no restrictions on voting rights of shares in the Articles and at a general meeting every shareholder present in person or by proxy has one vote for every share held by him or her. No shareholder shall be entitled to vote either personally or by proxy or to exercise any other right in relation to general meetings if any sum due from him or her to the Company in respect of that share remains unpaid.

Transfer of shares and warrants

The Articles provide that transfers of certificated shares must be effected in writing duly signed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered on the Register of Members in respect of those shares. Transfers of uncertificated shares may be effected by means of the relevant electronic system unless the Uncertificated Securities Regulations 2001 provide otherwise.

The Directors may refuse to register a transfer of shares in favour of more than four persons jointly.

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

Directors, Articles and purchase of shares

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

The Directors' powers are conferred on them by UK legislation and by the Articles. In accordance with the Articles, the Board has the power at any time to elect any person to be a Director. Any person so appointed by the Directors will retire at the next Annual General Meeting in accordance with the Articles; retiring Directors may be eligible for annual re-election.

The Company did not acquire any of its own shares during 2023 either itself or through a person acting in his own name but on the Company's behalf.

None of the circumstances referred to in paragraphs 8 and 9 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 applies.

Paragraph 10 Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 The Company's policy is to:

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

Paragraph 11 and 11A Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 Action taken to introduce, maintain or develop arrangements aimed at the following is described on pages 62-63:

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

Paragraph 11B and 11C Schedule 7

A summary of the following is described on pages 20-21.

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

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

As of 31 December 2023, the following significant shareholdings of voting rights in the share capital of the Company had been disclosed to the Company under Disclosure Guidance and Transparency Rule (DTR) 5.

Name	Number of Ordinary Shares	% of issued Ordinary Shares	Nature of Holding
ICU Trading Ltd. and Westal Holdings Ltd.	42,144,784	24.88	Direct
EMOV Caspian Holdings Limited	31,975,192	18.88	Direct
Amundi (UK) Limited and Amundi Asset Management	16,489,360	9.74	Direct

Details of all information provided to the Company pursuant to Financial Conduct Authority's (FCA) DTRs is publicly available to view via the regulatory information service on the Company's website.

Since 31 December 2023, disclosures have been made to the Company under DTRs such that as at 18 April 2024, the following significant shareholdings of voting rights in the share capital of the Company had been disclosed to the Company under Disclosure Guidance and Transparency Rule (DTR) 5.

Name	Number of Ordinary Shares	% of issued Ordinary Shares	Nature of Holding
ICU Trading Ltd. and Westal Holdings Ltd.	42,144,784	24.88	Direct
RD Energy LLC	31,975,192	18.88	Direct
Amundi (UK) Limited and Amundi Asset Management	16,489,360	9.74	Direct

Financial risk management

The Company's financial risk management objectives and policies, including its use of financial instruments, can be found in Note 31 on pages 151-152 to the financial statements.

Change of control

The following are significant agreements the Company has entered into which would be affected on a change of control of the Company following a takeover:

- In the event of a takeover of the Company, all options under the Company's phantom share option plan shall be deemed to have vested and the Board shall direct Intertrust Employee Benefit Trustee Limited to allow each option-holder to exercise his or her options at any time from the date of the change of control up to the 10th anniversary of the date of grant (the Period). Any options that have not been exercised will lapse at the end of the Period; and
- In the event of a takeover of the Company, all options under the Company's employee long-term incentive plan shall be deemed to have vested and the Board shall direct Intertrust Employee Benefit Trustee Limited to allow each option-holder to exercise his or her options during the one-month period following the change of control event. Any options that have not been exercised will lapse at the end of this period.

As at 31 December 2023, the 2012 Bonds, 2014 Bonds, SUNs and SSNs contained change of control provisions. If a change of control occurs, the Company was required to offer to repurchase the 2012 Bonds, 2014 Bonds, SSNs and SUNs at 101% of their principal amount, plus accrued and unpaid interest to the date of the purchase.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment or otherwise that occurs specifically because of a takeover.

Corporate governance statement

Pursuant to Disclosure Guidance and Transparency Rule 7, certain parts of the Corporate Governance statement are required to be outlined in the Directors' Report. This information is laid out in the corporate governance section of this Annual Report. Information regarding the main features of the Company's internal control and risk management arrangements in relation to the financial reporting process can be found in the Strategic Report and the report of the Audit Committee.

Requirements of the Listing Rules

The following table provides references to where the information required by Listing Rule 9.8.4R is disclosed.

Information required	Sub-section of Listing Rule 9.8.4R	Reference
Capitalised interest	(1)	Please refer to Note 5 to the financial statements, page 142
Publication of unaudited financial information	(2)	Not applicable
Details of any long-term incentive schemes established to specifically recruit or retain a director	(4)	Not applicable
Waiver of emoluments by a director	(5) (6)	No such waivers
Allotment of equity securities for cash	(7) (8)	No such share allotments
Participation in a placing of equity securities	(9)	Not applicable
Contracts of significance	(10)	No such contracts
Contracts for the provisions of services by a controlling shareholder	(11)	Not applicable
Dividend waiver	(12) (13)	Page 111
Agreements with controlling shareholder	(14)	Not applicable as the Company does not have a "controlling shareholder" within the definition under Listing Rule 6.1.2A R

Important events since the end of the financial year

Major events after 31 December 2023 are disclosed in Note 32 to the consolidated audited financial statements.

This report was approved by the Board on 18 April 2024.

On behalf of the Board

Arfan Khan
Chief Executive Officer

18 April 2024

Nostrum Oil & Gas PLC, registered number 8717287

Responsibility statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year that give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year, and of the profit or loss of the Group for the financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with UK adopted International Accounting Standards. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of thestate of affairs of the Group and the Parent Company and of their profit or loss for that period.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes and Accounting Estimates and Errors and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- State that the Group and the Company have complied with the UK adopted International Accounting Standards, subject to any material departures disclosed and explained in the financial statements;
- Provide additional disclosures when compliance with specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and performance; and
- Prepare the Group's and Company's financial statements on a going concern basis, unless it is inappropriate to do so.

Having taken all the matters considered by the Board and brought to the attention of the Board during the year into account, and having reviewed the Annual Report (including the Strategic Report), the Directors consider the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable, providing the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Directors have responsibility for:

- Ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that its financial statements and Directors' Remuneration Report comply with the Companies Act 2006;
- Taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities; and
- The maintenance and integrity of the corporate and financial information on the Company's website.

Each of the Directors whose names and functions are listed on pages 84-85 confirms, that to the best of their knowledge:

- The Company and Group financial statements, which have been prepared in accordance with the UK adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board

Arfan Khan
Chief Executive Officer

18 April 2024

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

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

Opinion

We have audited the financial statements of Nostrum Oil & Gas plc for the year ended 31 December 2023.

The financial statements that we have audited comprise:

- the Consolidated Statement of Financial Position;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Statement of Cash Flows;
- the Consolidated Statement of Changes in Equity;
- Notes 1 to 32 of the consolidated financial statements, including significant accounting policies;
- The Parent Company Statement of Financial Position;
- the Parent Company Statement of Cash Flows;
- the Parent Company Statement of Changes in Equity; and
- Notes 1 to 16 of the company financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group and Parent Company's financial statements is applicable law and International Financial Reporting Standards for use in the United Kingdom ("UK adopted IFRS").

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK adopted IFRS; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Determining if the directors' process was sufficiently rigorous to support the going concern assessment;
- Obtaining the directors' going concern assessment, including the cash flow forecast for the period covered by the going concern assessment to 30 June 2025. The directors have modelled a number of adverse scenarios in order to incorporate unexpected changes to the forecast liquidity of the Group. We evaluated the sufficiency of the sensitivities performed, in particular whether the adverse scenarios met the severe but plausible test;
- Auditing the key factors and assumptions adopted in the assessment of going concern and the cash flow model, including considering whether management had exercised any bias in selecting their assumptions, by comparing against past performance and available market data;
- Assessing the appropriateness of the method used to calculate the cash flow forecast. We tested the methodology and calculations;
- Checking the consistency of the factors and assumptions adopted in the going concern assessment with other areas of our audit, including the oil and gas asset impairment test;
- Considering the results of the reverse stress test in order to identify what factors would lead to the Group utilising all liquidity during the going concern period. We assessed the likelihood of these factors in the context of the outlook for commodity prices and against historic market lows as well as our own industry experience;
- Challenging the impact of the Russia/Ukraine war on the going concern conclusion, including whether this threatened the Group's ability to achieve forecast production and cash flows, whether there had been a loss of suppliers or customers, or whether sanctions inhibited the Group's ability to execute the restructuring; and;
- Considering whether management's disclosures in the Annual Report and Accounts were appropriate.

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

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

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

Overview of our audit approach

Scope	Our audit was scoped by obtaining an understanding of the Group, including the Parent Company, and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement. We, and our component auditors acting on specific group instructions issued by us, undertook full scope audits on the complete financial information of 2 components; Zhaikmunai LLP and Nostrum Oil & Gas plc (Parent company), specified audit procedures on particular aspects and balances on another 5 components in Kazakhstan, the Netherlands and Belgium.

Materiality

	2023	2022	
Group	US$949k	US$2.3m	2.25% of adjusted EBITDA (2022: 2% of adjusted EBITDA)
Parent	US$1.9m	US$8.9m	1% of Parent Company's Equity (2022: 1% of Parent Company's Equity). Component materiality for group purposes set at US$500k (2022: US$310k)

Key audit matters

Recurring	• Estimation of oil and gas reserves and its impact on impairment testing, depreciation, depletion and amortisation (DD&A) and the decommissioning provision; • Impairment of oil & gas development and production fixed assets;
Event driven	• Valuation of new Notes (SSNs and SUNs) and the accounting treatment of the debt to equity swap

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those matters which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations communicated to the Group's Audit Committee
Oil and gas reserves are a material factor in computing depreciation, depletion and amortisation (the "DD&A") and the decommissioning provision. Significant judgement and estimations are made by the management, which are potentially susceptible to management bias, and hence causing an impact on the financial statements due to the technical uncertainty in assessing reserves quantities. There is also a risk that management may influence the significant judgements and estimates in respect of commercial assumptions in order to portray favourable reserves disclosure to the market.	We have performed, in conjunction with the component auditor, the following procedures in respect of the oil and gas reserve estimation: • Carried out walkthrough procedures and updated understanding the Group's internal process and key controls associated with oil and gas reserves estimation. • Assessed the competence of internal management's specialists, to satisfy ourselves that they are appropriately qualified to carry out the volume's estimation. • Checked the source, completeness and accuracy of the data used to estimate. • Corroborated management's commercial assumptions by checking that they lie within an acceptable range compared to publicly available benchmarks where available. • Compared management's internal assumptions to the latest plans and budgets for consistency and challenged management's capabilities to execute on such plans by comparison to prior performance. • Validated that the updated reserves estimates were appropriately included in the Group's consideration of oil and gas asset impairment testing, in accounting for DD&A and the determination of decommissioning dates. • Reviewed the accuracy of the reserves and resource estimates disclosure in the Annual Report • Obtained and recalculated management's decommissioning provision assessment. • Critically assessed key inputs and challenge management's assumptions and judgements for reasonableness and indictors of bias.	No material issues have been identified from the audit procedures performed.

Impairment of oil & gas development and production fixed assets

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations communicated to the Group's Audit Committee
There is a risk in management's judgement made on the impairment or impairment reversal of oil and gas assets since the recoverable amount of the oil and gas assets is sensitive to the changes in key inputs and assumptions, which may include the estimation of future prices of oil, natural gas and related products, the discount rate applied to future cash flow forecasts and the assumptions relevant to production volumes. There is also a risk that management may influence the significant judgements and estimates in respect of its key assumptions in order to understate the impairment charge to achieve a targeted result.	We have performed, in conjunction with the component auditor, the following procedures in respect of the impairment and production fixed assets: • Obtained and evaluated management's assessment of indicators of impairment or impairment reversal. • Walked through the controls designed by the Group relating to the assessment of the recoverable amount of oil & gas assets for impairment. • Assessed whether the value in use (VIU) or the fair value less costs of disposal (FVLCD) represents the higher recoverable amount. • Verified the integrity of supporting discounted cash flow models with the assistance of experts. • Evaluated the oil & gas prices and discount rate assumptions by comparing forecast price assumptions to the latest market evidence available, including forward curves, brokers' estimates and other long-term price forecasts; and benchmarking the discount rate to the risks faced by the Group. • Assessed the appropriateness of the oil and gas reserves and resources estimates and evaluated the risking factors applied in estimating the value associated with the contingent resources. • Challenged the valuation methodology for estimating the recoverable amount; specifically the value attributed to the contingent resources and the opportunity for utilising the spare GTU processing capacity, including the related judgements around risking. • Tested forecast cash flows by comparing the assumptions used within the impairment models to the approved budgets, business plans and other evidence of future intentions. • 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 include adjustments to the discount rate, oil & gas prices, future production volumes, opex and capex assumptions.	No material issues have been identified from the audit procedures performed.

Valuation of new Notes (SSNs and SUNs) and the accounting treatment of the debt to equity swap

In February 2023 the Group restructured its debt pursuant to the terms of the Scheme sanctioned by the Court on 26 August 2022. As a result of implementation of the restructuring, a portion of the Group's Notes were exchanged for $250 million of Senior Secured Notes (SSNs) and $345 million of Senior Unsecured Notes (SSNs), while the remainder of the Existing Notes together with accrued but unpaid interest were converted into fully paid ordinary shares which were then subject, together with the existing ordinary shares to a share consolidation and sub division exercise.. The new Notes mature in June 2026. Management judgement is required to determine if the new Notes are substantially different from the old Notes in line with IFRS 9 and therefore if these are recognised as a new liability.	We have performed the following procedures in respect of the new Notes: • Obtained and reviewed management's paper on the restructuring (project 'Newport'). • Considered whether the derecognition criteria of IFRS 9 have been met, on the basis that the new loans include substantially different terms. • Considered the accounting treatment regarding the share capital issued in exchanged for debt and challenged the associated profit recognition and movement in reserves in accordance with IFRIC 19. • Considered the fair value of the share capital exchanged and challenged the accounting treatment of the share premium and share consolidation and sub division. • Assessed management's fair value calculation of the new notes under IFRS 9, including reliance on management experts. • Assessed and interrogated supporting valuation models, including assessment of key inputs and management judgements. • Engaged an auditor's expert to assist with the reviews of the valuation methodology and model. • Evaluated the appropriateness of financial statement disclosures.	No material issues have been identified from the audit procedures performed.

Our application of materiality

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

Materiality in respect of the Group was set at US$949,000 (2022: US$2,300,000) which was determined based on 2.25% (2022: 2%) of the Group's adjusted EBITDA (as defined on page 47). Adjusted EBITDA was deemed to be the appropriate benchmark for the calculation of Group materiality as this is a KPI for the Group in the assessment of the performance of management, and market and analyst commentary also uses EBITDA to comment on the performance of the Group. In our opinion this is therefore the benchmark with which the users of the financial statements are principally concerned.

Materiality in respect of the Parent Company was set at US$1,920,000 (2022: US$8,900,000) determined on the basis of 1% (2022: 1%) of the Parent Company's Equity. Component materiality for group purposes was set at US$500,000 (2022: US$310,000)

Given the non-trading status of the parent, having a materiality based on 1% of Parent Company's Equity is considered an appropriate approach to benchmarking materiality as this is primarily what the users of the financial statements are concerned with given the loan notes and conversion during the year.

Component materiality was used by the auditors to cover the audit risk for the areas covering significant risk for misstatement.

Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Performance materiality for the Group was set at US$570,000 (2022: US$1,380,000) and at US$1,152,000 (2022: US$5,340,000) for the Parent Company which represents 60% (2022: 60%) of the above materiality levels.

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls and the level of misstatements arising in previous audits.

We agreed to report any corrected or uncorrected adjustments exceeding US$47,450 in to the Audit Committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

Overview of the scope of the Group and Parent Company audits

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

In assessing the risk of material misstatement to the consolidated financial statements, and to ensure we had adequate quantitative and qualitative coverage of significant accounts in the consolidated financial statements, of the 14 reporting components of the group, we identified 2 components in Kazakhstan and the UK which represent the principal business units within the Group.

Full scope audits – Of the 14 components selected, full scope audits of the complete financial information of 2 components; Zhaikmunai LLP Chinarevkoye field and Nostrum Oil & Gas plc were undertaken, these entities were selected based upon their size or risk characteristics.

Limited scope audits – Specific procedures were undertaken on 5 components; Nostrum Oil & Gas Coöperatief UA, Nostrum Oil & Gas Finance B.V., Nostrum Services N.V., Nostrum Services N.V. – KZ Branch and Postiv Invest. Our audit work was executed at group materiality.

Our audit scoping coverage for the key balances is summarised in the charts below.

The coverage achieved by our audit procedures was:

Name	Full scope	Specified audit procedures	Analytical review	Total
Revenue	100%	0%	0%	100%
PBT	55%	45%	0%	100%
Gross assets	62%	38%	0%	100%

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

The control environment

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

Component IT audit specialists were engaged to get an understanding of the general IT environment and general IT controls for the businesses critical applications principally based in Kazakhstan.

Climate-related risks

In planning our audit and gaining an understanding of the Group and Parent Company, we considered the potential impact of climate-related risks on the business and its financial statement. We obtained management's climate-related risk information, along with relevant documentation relating to management's assessment and held discussions with management to understand their processes for identifying climate-related matters.

We engaged specialists to assess, amongst other factors, the benchmarks used by management, the nature of the group's business activities, its processes and the geographic distribution of its activities.

We designed audit procedures to specifically consider those assets and liabilities where we anticipated, based on the work performed, that the highest impact arising from climate change might fall. We have reviewed the information received by management and have not identified any additional climate related risks to be disclosed within the financial statements.

Reporting on other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Strategic report and directors report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Directors' remuneration report

Those aspects of the director's remuneration report which are required to be audited have been prepared in accordance with applicable legal requirements.

Corporate governance statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the entity's voluntary compliance with the provisions of the UK Corporate Governance Code.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 46;
- Directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 46;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 46;
- Directors' statement on fair, balanced and understandable set out on page 120;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 32-33;
- Section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 97;; and
- Section describing the work of the audit committee set out on pages 93-98.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received by branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Parent Company.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities . This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Identifying and assessing potential risks arising from irregularities, including fraud

The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the industry and sector the control environment, business performance including remuneration policies and the Group's, including the Parent Company's, own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Group focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements.
- We enquired of the directors and management and the Audit Committee concerning the Group's and the Parent Company's policies and procedures relating to:
  - identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls.
- As a result of these procedures we determined that the principal risks were management bias in accounting estimates, particularly in determining impairment of oil and gas reserves, and the potential for a breach of sanctions and/or counter sanctions related to the Russia and Ukraine conflict. The group engagement team shared this risk assessment with the Component Auditors of Significant Subsidiaries so that they could include appropriate audit procedures in response to such risks in their work.

Audit response to risks identified

In respect of the above procedures:

- we corroborated the results of our enquiries through our review of the minutes of the Group's and the Parent Company's board meetings;
- we and the component auditors visited the operations in Kazakhstan observing operations and carrying out a physical verification of inventory and observed operations;
- audit procedures performed by the engagement team in connection with the risks identified included:
  - reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations expected to have a direct impact on the financial statements;
  - testing journal entries, including those processed late for financial statements preparation, those posted by infrequent or unexpected users, those posted to unusual account combinations;
  - evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias;
  - enquiry of management around actual and potential litigation and claims;
  - challenging the assumptions and judgements made by management in its significant accounting estimates; and
  - obtaining confirmations from third parties to confirm existence of a sample of year end balances.
- we communicated relevant laws and regulations and potential fraud risks to all engagement team members, including experts, and the component auditors and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Other requirements

We were appointed on 6 March 2023. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years.

We did not provide any non-audit services which are prohibited by the FRC's Ethical Standard to the Group or the Parent Company, and we remain independent of the Group and the Parent Company in conducting our audit.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard (('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Rakesh Shaunak FCA
(Senior Statutory Auditor)
For and on behalf of MHA, Statutory Auditor

London, United Kingdom

19 April 2024

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

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Consolidated statement of financial position

In thousands of US Dollars	Notes	31 December 2023	31 December 2022
Assets			
Non-current assets			
Property, plant and equipment	5	**252,621**	276,023
Exploration and evaluation assets	6	**23,935**	–
Advances for non-current assets	7	**1,118**	2,114
Restricted cash	11	**25,215**	31,022
		302,889	309,159
Current assets			
Inventories	8	**29,852**	30,196
Prepayments and other current assets	9	**9,417**	4,688
Income tax prepayment		**–**	95
Trade receivables	10	**15,472**	12,395
Cash and cash equivalents	11	**161,711**	233,584
		216,452	280,958
TOTAL ASSETS		**519,341**	590,117
Equity and liabilities			
Share capital and reserves	12		
Share capital		**2,152**	3,203
Treasury capital		**(166)**	(1,660)
Deferred shares		**18,551**	–
Share premium		**792,744**	–
Retained deficit and reserves		**(879,456)**	(941,769)
Attributable to owners of Nostrum Oil & Gas PLC		**(66,175)**	(940,226)
Non-controlling interest		**502**	–
		(65,673)	(940,226)
Non-current liabilities			
Notes payable and accumulated interest	14	**471,572**	–
Principal		*636,222*	–
Arrangement fees and fair value adjustments		*(164,650)*	–
Abandonment and site restoration provision	15	**22,147**	20,073
Due to Government of Kazakhstan	16	**3,625**	4,002
Deferred tax liability	27	**44,523**	49,899
		541,867	73,974
Current liabilities			
Notes payable and accumulated interest	14	**175**	1,396,517
Trade payables	17	**10,632**	9,929
Advances received		**254**	52
Current tax payable		**545**	–
Current portion of due to Government of Kazakhstan		**1,031**	1,031
Other current liabilities	18	**30,510**	48,840
		–	–
		43,147	1,456,369
TOTAL EQUITY AND LIABILITIES		**519,341**	590,117

The consolidated financial statements of Nostrum Oil & Gas PLC, registered number 8717287, were authorised for issue by the Board of Directors on 18 April 2024.

Signed on behalf of the Board:

18 April 2024

The accounting policies and explanatory notes on pages 132 through 152 are an integral part of these consolidated financial statements

Consolidated statement of comprehensive income

In thousands of US Dollars	Notes	For the year ended 31 December **2023**	2022
Revenue			
Revenue from export sales		**105,170**	177,173
Revenue from domestic sales		**14,459**	22,544
	19	**119,629**	199,717
Cost of sales	20	**(77,628)**	(84,053)
Gross profit		**42,001**	115,664
General and administrative expenses	21	**(13,807)**	(12,076)
Selling and transportation expenses	22	**(12,403)**	(19,950)
Taxes other than income tax	23	**(14,187)**	(19,830)
Employee share options reversals	25	**25**	38
Finance costs	24	**(102,826)**	(123,138)
Gain on debt-to-equity exchange	12	**769,611**	–
Fair value adjustment on recognition of debt instruments	14	**174,426**	–
Foreign exchange (loss)/gain, net		**(954)**	254
Interest income		**2,691**	272
Other income	26	**6,430**	6,806
Other expenses	26	**(14,675)**	(29,821)
Income/(loss) before income tax		**836,332**	(81,781)
Current income tax expense		**(10,050)**	(18,837)
Deferred income tax benefit/(expense)		**5,376**	(15,827)
Income tax expense	27	**(4,674)**	(34,664)
Profit/(loss) for the year		**831,658**	(116,445)
Other comprehensive income that could be reclassified to the income statement in subsequent periods			
Currency translation difference		**62**	(490)
Other comprehensive income/(loss)		**62**	(490)
Total comprehensive income/(loss) for the year		**831,720**	(116,935)
Income/(loss) for the year attributable to the shareholders (in thousands of US dollars)		**831,658**	(116,445)
Basic earnings per share (in US dollars)	13	**4.92**	(0.69)
Diluted earnings per share (in US dollars)	13	**4.42**	(0.69)

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

The accounting policies and explanatory notes on pages 132 through 152 are an integral part of these consolidated financial statements

Consolidated statement of cash flows

In thousands of US Dollars	Notes	For the year ended 31 December 2023	2022
Cash flow from operating activities:			
Income/(loss) before income tax		**836,332**	(81,781)
Adjustments for:			
Depreciation, depletion and amortisation	20, 21, 22	**40,509**	51,835
Finance costs	24	**102,826**	123,138
Interest income		**(2,691)**	(272)
Foreign exchange loss on investing and financing activities		**199**	115
Loss on disposal of property, plant and equipment		**917**	–
Fair value adjustment on recognition of debt instruments		**(174,426)**	–
Gain on debt-to-equity exchange		**(769,611)**	–
Employee share options reversals		**(25)**	(38)
Operating profit before working capital changes		**34,030**	92,997
Changes in working capital:			
Change in inventories		**62**	1,458
Change in trade receivables		**(3,077)**	(5,736)
Change in prepayments and other current assets		**(3,608)**	5,047
Change in trade payables		**(754)**	1,094
Change in advances received		**202**	43
Change in due to Government of Kazakhstan		**(1,031)**	(1,031)
Change in other current liabilities		**(3,943)**	14,578
Cash used in operations		**21,881**	108,450
Income tax paid		**(24,102)**	(6,246)
Net cash flows used in operating activities		**(2,221)**	102,204
Cash flow from investing activities:			
Interest received		**2,691**	272
Purchase of property, plant and equipment		**(13,711)**	(14,770)
Consideration paid for 80% interest in Positiv Invest LLP	6	**(19,338)**	–
Advances for non-current assets		**–**	(696)
Expenditures on exploration and evaluation assets		**(3,552)**	–
Transfer from/(to) restricted cash		**5,828**	(587)
Net cash used in investing activities		**(28,082)**	(15,781)
Cash flow from financing activities:			
Finance costs paid		**(31,821)**	–
Other finance costs		**(9,801)**	(17,481)
Net cash used in financing activities		**(41,622)**	(17,481)
Effects of exchange rate changes on cash and cash equivalents		**52**	(604)
Net (decrease)/increase in cash and cash equivalents		**(71,873)**	68,338
Cash and cash equivalents at the beginning of the year	11	**233,584**	165,246
Cash and cash equivalents at the end of the year	11	**161,711**	233,584

"Other finance costs" represent advisor fees of US$5,972 thousand and lock-up fees of US$3,828 thousand (2022: US$ 17,481 thousand of advisor fees) paid by the Group in relation to the forbearance agreements, lock-up agreements and ongoing process of restructuring of the Group's outstanding bonds. In 2021 these included also bondholder consent fees in the amount of US$1,117 thousand. For more details see Note 1.

The accounting policies and explanatory notes on pages 132 through 152 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

In thousands of US Dollars	Notes	Share capital	Treasury capital	Deferred shares	Share premium	Other reserves (Note 12)	Retained deficit	Non-controlling interest	Total
		Attributable to owners of Nostrum Oil & Gas PLC							
As at 1 January 2022		**3,203**	**(1,660)**	**–**	**–**	**262,385**	**(1,087,181)**	**–**	**(823,253)**
Loss for the year		–	–	–	–	–	(116,445)	–	(116,445)
Other comprehensive loss		–	–	–	–	(490)	–	–	(490)
Total comprehensive loss for the year		**–**	**–**	**–**	**–**	**(490)**	**(116,445)**	**–**	**(116,935)**
Share based payments under LTIP*		–	–			(38)	–	–	(38)
As at 31 December 2022		**3,203**	**(1,660)**	**–**	**–**	**261,857**	**(1,203,626)**	**–**	**(940,226)**
Income for the year		–	–	–	–	–	831,658	–	831,658
Other comprehensive income			–	–	–	62	–	–	62
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**62**	**831,658**	**–**	**831,720**
Debt-to-equity exchange		(1,051)	1,494	18,551	23,133	229	–	–	42,356
Transfer of share premium on debt-to-equity exchange*		–	–	–	769,611	–	(769,611)	–	–
Recognition of non-controlling interest on purchase of Positiv Invest LLP	6	–	–	–	–	–	–	502	502
Share based payments under LTIP**		–	–	–	–	(25)	–	–	(25)
As at 31 December 2023		**2,152**	**(166)**	**18,551**	**792,744**	**262,123**	**(1,141,579)**	**502**	**(65,673)**

** The gain on debt-to-equity exchange is reclassified as share premium in accordance with the requirements of the Companies Act 2006*

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

The accounting policies and explanatory notes on pages 132 through 152 are an integral part of these consolidated financial statements

Notes to the consolidated financial statements

1. General

Overview

Nostrum Oil & Gas PLC ("the Company" or "the Parent") is a public limited company incorporated on 3 October 2013 under the Companies Act 2006 and registered in England and Wales with registered number 8717287. The registered address of Nostrum Oil & Gas PLC is: 20 Eastbourne Terrace, London, W2 6LG, UK.

These consolidated financial statements include the financial position and the results of the operations of Nostrum Oil & Gas PLC and its following wholly owned subsidiaries:

Company	Registered office	Form of capital	Ownership, %
Nostrum Associated Investments LLP	43B Karev street, 090000 Uralsk, Republic of Kazakhstan	Participatory interests	100
Nostrum Oil & Gas Coöperatief U.A.	Bloemendaalseweg 139, 2061 CH Bloemendaal, The Netherlands	Members' interests	100
Nostrum Oil & Gas B.V.	Bloemendaalseweg 139, 2061 CH Bloemendaal, The Netherlands	Ordinary shares	100
Nostrum Oil & Gas Finance B.V.	Bloemendaalseweg 139, 2061 CH Bloemendaal, The Netherlands	Ordinary shares	100
Nostrum Oil & Gas UK Ltd.	20 Eastbourne Terrace, London, W2 6LA, United Kingdom	Ordinary shares	100
Nostrum Oil & Gas Holding Ltd.	20 Eastbourne Terrace, London, W2 6LA, United Kingdom	Ordinary shares	100
Nostrum Services Central Asia LLP	Aksai 3a, 75/38, 050031 Almaty, Republic of Kazakhstan	Participatory interests	100
Nostrum Services N.V.	Chaussee de Wavre 20, 1360 Perwez, Belgium	Ordinary shares	100
Positiv Invest LLP	Dostyk 310/15, Almaty, Republic of Kazakhstan	Participatory interests	80
Zhaikmunai LLP	43/1 Karev street, 090000 Uralsk, Republic of Kazakhstan	Participatory interests	100

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

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

The term of the Chinarevskoye subsoil use rights included a 5-year exploration period followed by a 25-year production period with the Contract being valid until the end of 2031.

As at 31 December 2023 the Group employed 571 employees (31 December 2022: 566).

On 14 October 2022, a new company Nostrum Oil & Gas Holding Limited was incorporated with a registered address of 20 Eastbourne Terrace, London, W2 6LG, UK. The entity is a wholly owned subsidiary of the Parent.

On 12 December 2023, Nostrum Oil & Gas UK Limited was dissolved.

On 17 July 2023, Nostrum Oil & Gas PLC acquired an 80% interest in Positive Invest LLP for US$20 million. Positiv Invest LLP holds the rights to the Stepnoy Leopard Fields located in the West Kazakhstan region. The acquisition enhances Nostrum's ability to connect additional resources to their gas treatment facilities. The Stepnoy Leopard Fields are in proximity to Nostrum's existing operations and have a contract valid until December 2044.

Royalty payments

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

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

Government "profit share"

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

Group debt restructuring

On 31 March 2020, the Group announced that it would seek to engage with its bondholders regarding a possible restructuring of the Group's US$725 million 8.0% Senior Notes due July 2022 ("2022 Notes") and its US$400 million 7.0% Senior Notes due February 2025 ("2025 Notes") (together, the "Existing Notes"). On 23 December 2021, the Group entered into a lock-up agreement (the "First LUA") and agreed terms of a restructuring with noteholders. The below outlines the key terms of the restructuring as agreed between the Group, acceded noteholders and ICU in the LUAs and also voted in favour of by Nostrum shareholders:

Partial reinstatement of debt:

- In the form of US$250 million Senior Secured Notes (SSNs) maturing on 30 June 2026 and bearing interest at a rate of 5.00% per year payable in cash. The SSNs are not convertible;
- In the form of US$300 million Senior Unsecured Notes (SUNs) maturing on 30 June 2026 and bearing interest at a rate of 1.00% per year payable in cash and 13.00% per year payable in kind. If not repaid in cash at maturity, the SUNs are repayable in specie through the issuance of equity in the Company based on the value of the SUNs outstanding on the issuance date as a percentage of the fair market value of the Company (up to a maximum of 99.99% of the Company's fully diluted equity);

Conversion to equity:

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

New corporate governance arrangements:

- in respect of the Group and certain arrangements regarding future utilization of the Group's cashflows. This includes a cash sweep mechanism requiring that cash above US$30 million is swept into a debt service retention account (to fund the next two cash interest payments due) and a restricted cash account which the Company can access with approval of the majority of Independent Non-Executive Directors of the Company; and
- Transfer the Company's listing to the Standard Listing segment of the London Stock Exchange.

Restructuring completion

On 9 February 2023, the Restructuring was implemented on the key terms as agreed under Lockup Agreement, and pursuant to the terms of the Scheme sanctioned by the Court on 26 August 2022. This led to the sub-division and consolidation of the Company's share capital, which resulted in a reduction of shares from approximately 1,693.8 million to 169.4 million following a 10:1 consolidation. By 10 February 2023, 150,563,304 new shares were listed on the London Stock Exchange (ticker symbol NOG.L), and by 13 February, also on the Astana International Exchange. The new notes and warrants were listed on The International Stock Exchange from 9 February 2023, while no new securities were listed on Euronext Dublin. On 14 March 2023, the Company's ordinary shares were delisted from the official list of the Kazakhstan Stock Exchange (KASE).

2. Basis of preparation and consolidation

Basis of preparation

These consolidated financial statements for the year ended 31 December 2023 have been prepared in accordance with the UK adopted International Accounting Standards and the Companies Act 2006. The consolidated financial statements have been prepared based on a historical cost basis other than areas where accounting standards require an alternate measurement basis (Note 4). The consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand, except when otherwise indicated. The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires from management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4. The Group recognises that there may be potential financial implications in the future from changes in legislation and regulation implemented to address climate change risk. Over time these changes may have an impact across a number of areas of accounting including asset impairment, increased costs, provisions, onerous contracts and contingent liabilities. However, as at the reporting sheet date, the Group believes there is no material impact on the balance sheet carrying values of assets or liabilities. This is not considered a significant estimate.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Going concern

These consolidated financial statements have been prepared on a going concern basis. For more information on the going concern assessment of the Group please see page 46 of the Annual Report.

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report.

Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

3. Changes in accounting policies and disclosures

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2023, but do not have an impact on the consolidated financial statements of the Group.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

• A specific adaptation for contracts with direct participation features (the variable fee approach)

• A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Group's consolidated financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.
The amendments had no impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.
The amendments have had no impact on the Group's disclosures of accounting policies, the measurement, recognition or presentation of any items in the Group's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.
The amendments had no impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements continued

Standards issued but not yet effective
The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.
The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

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

In January 2020 and October 2022, 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.
In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.
The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.
The amendments are not expected to have a material impact on the Group's financial statements.

4. Summary of material accounting policies

Exploration expenditure

Costs directly associated with the purchase of Positiv Invest LLP and the appraisal of the wells are capitalised within exploration and evaluation assets until the reserve appraisal phase is complete and the commercial viability of field development have been proved.

These costs include employee remuneration, materials, fuel used, rig costs, payments made to contractors, and asset retirement obligation fees.

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 Group holds the rights to the Stepnoy Leopard Fields located in the West Kazakhstan region where the exploration periods will expire respectively in 2044. The Group remains committed to developing its exploration assets and, therefore, continues to carry the capitalised costs on its balance sheet. For more detailed information in relation to the subsoil use rights terms, please see Note 1.

Material accounting judgment: oil and gas reserves

Management used judgment when considering the purchase of Positiv Invest LLP as an asset acquisition rather than a business acquisition. Management applied the concentration test, introduced within IFRS 3, which offers a simplifying procedure to ascertain if an acquisition is of a business or merely assets. If a substantial majority of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets, then the set isn't deemed a business. Taking into account that the most significant assets of the Positiv Invest LLP are the licenses to the Stepnoy Leopard's fields, which are geographically co-located, and most of the balance sheet items are attributable to these fields, the management concluded that transactions represents an asset purchase rather than a business combination.

The difference between the purchase price of $19.3 million and the net book value of the assets and liabilities acquired was considered as the price paid for the subsoil use license for development and production at the Stepnoy Leopard Fields. This distinction ensures proper allocation of the purchase price and reflects the underlying value attributed to exploration and valuation assets within the transaction.

In addition, the fair value of the minority interest representing 20% ownership retained by the previous partners of Positiv Invest LLP was recognized at the proportion of the net assets of Positiv Invest at the transaction date. Management believes that this recognition aligns with the principle of reflecting the true economic value of the minority interest within the financial statements.

For more detailed information regarding exploration and evaluation assets, please see Note 6 in the financial statements.

Property, plant and equipment

Oil and gas properties

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

The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. When a development project moves into the production stage, the capitalisation of certain construction/development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to oil and gas property asset additions, improvements or new developments.

All capitalised costs of oil and gas properties are depleted using the unit-of-production method based on estimated proved developed reserves of the field, except the Group depreciates its oil pipeline and oil loading terminal on a straight-line basis over the life of the relevant subsoil use rights. In the case of assets that have a useful life shorter than the lifetime of the field the straight-line method is applied.

Other properties

All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the year in which they are incurred.

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

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

Land is a non-depreciable asset and therefore is not subject to depreciation. It is the company’s policy to maintain the original cost of land on the balance sheet. However, the land’s value may be reviewed periodically to determine if there is any impairment in value.

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

Significant accounting judgment: oil and gas reserves

Oil and gas reserves are a material factor in the Group’s computation of depreciation, depletion and amortisation (the “DD&A”). Management used significant accounting judgement in selecting proved developed hydrocarbon reserves for calculating the unit-of-production depletion rate, as it reflects the expected pattern of consumption of future economic benefits by the Group.

Significant estimates and assumptions: oil and gas reserves

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

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

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

Management’s estimates of the Chinarevskoye 2P (Proved plus Probable) volume as at 31 December 2023 was 23.2 mmboe requiring 16 capital interventions (2022: 28.3 mmboe requiring 17 interventions). The reduction was primarily due to 2022 production of 3.7 mmboe and downwards revision of probable undeveloped reserves by 1.2 mmboe mainly due to reduced expectations for Biyski gas-condensate resulting from increased water ingress.

Downward revision of the proved developed reserves estimates by 5% would lead to additional DD&A expense of $2,022 thousand in 2023.

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

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

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

Notes to the consolidated financial statements continued

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

At the end of each reporting period the Group assesses whether events or changes in circumstances indicate that the carrying amount of an asset or CGU may not be recoverable; for example, changes in the Group's business plans, significant decreases in the market commodity prices, low plant utilisation, evidence of physical damage or, for oil and gas assets, significant downward revisions of estimated reserves or increases in estimated future development expenditure or decommissioning costs. If any such indication of impairment exists, the Group makes an estimate of the asset's recoverable amount.

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

The business cash flow internal model, which is approved on an annual basis by senior management, is the primary source of information for the determination of the recoverable amount. It contains forecasts for oil and gas production, sales volumes for various types of products, revenues, costs and capital expenditure. As an initial step in the preparation of this model, various assumptions are set by senior management. These assumptions take account of commodity prices, global supply-demand equilibrium for oil and natural gas, other macroeconomic factors and historical trends and variability. In assessing the recoverable amount, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a discount rate.

Significant accounting judgment: identification of cash-generating unit

Judgement is required to identify cash-generating units for the purpose of testing the assets for impairment. Management has determined a single cash-generating unit within the Group's non-current assets consisting of all Group's assets related to its Chinarevskoye field and facilities. This is mainly based on the fact that hydrocarbons extracted from the Chinarevskoye field are processed and passed through a combination of various facilities.

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

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

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

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

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

- Oil prices (in real terms): US$75/bbl for 2024 and US$70/bbl throughout 2025-2032 (2022: US$75/bbl for 2023, US$73/bbl for 2024 and US$65/bbl throughout 2025-2032);
- Proved and probable hydrocarbon reserves based on management estimates, updated from reserves confirmed by independent reserve engineers at 31 December 2022;
- Production profiles based on Group's internal estimates prepared by management;
- All cash flows are projected on the basis of stable prices, i.e. inflation/growth rates are ignored;
- Cost profiles for the development of the fields and subsequent operating costs consistent with reserves estimates and production profiles; and
- Gas treatment unit (GTU) spare capacity utilization – risk-weighted option value from processing under the contract with Ural Oil & Gas LLP;
- Post-tax discount rate of 10,3%, estimated to be equivalent to pre-tax discount rate of 14.0% (2022: 11.6% and 16.5%, respectively).

The impairment testing carried out by the Group as of 31 December 2023 and 2022 has resulted in the recoverable amount approximating the carrying amount of the Group's property, plant and equipment as of 31 December 2023 and 2022, respectively. Hence no impairment charge or reversal was recognised during these years.

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

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

Key assumption	Change	Sensitivity (US$)
Oil price decrease by	$10/bbl	35,370
Reserves downgrade by	10.0%	32,862
Post-tax discount rate increase by	4.0%	35,679
Operating costs increase by	10.0%	12,237

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

Leases

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Separation of lease and non-lease components

When contracts for a lease (such as like lease of drilling rigs and rail-tank cars) include various additional services like personnel cost, maintenance, drilling related activities, and other items, the Group splits such non-lease components and recognises them separately. Where the additional services are not separately priced, the consideration paid is allocated based on the relative stand-alone prices of the lease and non-lease components.

Distinguishing fixed and variable lease payment elements

Certain lease contracts include fixed rates for when the asset is in operation, and various alternative rates (like "cold-stack rates" for leases of drilling rigs) for periods where the asset is engaged in specified activities or idle, but still under contract. In general, variability in lease payments under these contracts has its basis in different use and activity levels, and the variable elements have been determined to relate to non-lease components only. Consequently, the lease components of these contractual payments are considered fixed for the purposes of IFRS 16.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below US$ 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest ("NCI") in the acquiree. For each business combination, the Group elects whether to measure NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Those acquired petroleum reserves and resources that can be reliably measured are recognised separately in the assessment of fair values on acquisition. Other potential reserves, resources and rights are included in goodwill.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for NCI over the fair value of the identifiable net assets acquired and liabilities assumed. If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred (bargain purchase), before recognising a gain, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the statement of profit or loss and other comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a Cash Generating Unit ("CGU") and part of the operation in that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Notes to the consolidated financial statements continued

Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax bases of income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Group and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. The tax rates and tax laws used to compute the amount are those that apply to the relevant taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

For more detailed information in current and deferred income tax disclosure as at 31 December 2023 and 2022, please see Notes 27 and 30.

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 2023.

The Group is subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the tax authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, and hence requires management judgement, the level of provisions are estimated by management as 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 2023 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax position will be sustained. To the extent that actual outcomes differ from management's estimates, income tax charges or credits, and changes in current and deferred tax assets or liabilities, may arise in future periods. For more information, see Notes 27 and 30.

Foreign currency translation

The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which the entity primarily generates and expends cash.

The functional currency of the Company is the United States dollar (the "US dollar" or "US$"). The functional currencies of the Group's subsidiaries are as follows:

Company	Functional currency
Nostrum Associated Investments LLP	Tenge
Nostrum Oil & Gas Coöperatief U.A.	US dollar
Nostrum Oil & Gas BV	US dollar
Nostrum Oil & Gas Finance BV	US dollar
Nostrum Oil & Gas Holding Ltd	US dollar
Nostrum Oil & Gas UK Ltd.	British Pound
Nostrum Services Central Asia LLP	Tenge
Nostrum Services N.V.	Euro
Zhaikmunai LLP	US dollar

Transactions in foreign currencies are initially recorded by the Group's subsidiaries at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences are taken to the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

In the consolidated financial statements, the assets and liabilities of non-US dollar functional currency subsidiaries are translated into US dollars at the spot exchange rate on the balance sheet date. The results and cash flows of non-US dollar functional currency subsidiaries are translated into US dollars using average rates of exchange, and resulting exchange differences are accumulated foreign currency translation reserve within equity, and are reclassified to the profit or loss on the disposal of the subsidiary. In the consolidated financial statements, exchange adjustments arising when the opening net assets and the profits for the year retained by non-US dollar functional currency subsidiaries are translated into US dollars are reported in the other comprehensive income.

Borrowing costs

The Group capitalises borrowing costs on qualifying assets. Assets qualifying for borrowing costs capitalisation include all assets under construction that are not being depreciated, depleted, or amortised, provided that work is in progress at that time. Qualifying assets mostly include wells and other operations field infrastructure under construction. Capitalised borrowing costs are calculated by applying the capitalisation rate to the expenditures on qualifying assets. The capitalisation rate is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the period. All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

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

Advances for non-current assets

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

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

Inventories

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

For more information in relation to the breakdown of inventories as at 31 December 2023 and 2022, please see Note 8.

Other current liabilities

The Group makes accruals for liabilities related to the underperformance and/or adjustments of work programs under subsoil use agreements (SUA) on a regular basis. When evaluating the adequacy of an accrual, management bases its estimates on the latest work program included in the SUA, and relevant signed supplements and potential future changes in payment terms (including the currency in which these liabilities are to be settled).

Future changes in the work programs may require adjustments to the accrual recorded in the consolidated financial statements.

Provisions and contingencies

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed by the Group at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

The Group classifies as contingent liabilities those possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise and the present obligations that arise from past events but are not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Group does not recognise contingent liabilities but discloses contingent liabilities in Note 30, unless the possibility of an outflow of resources embodying economic benefits is remote.

Significant accounting judgment: provisions and contingencies

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

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

For more detail on provisions and contingencies, please refer to Note 30.

Decommissioning

Provision for decommissioning is recognised in full, when the Group has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that provision can be made.

The Group estimates future dismantlement and site restoration costs for oil and gas properties with reference to the estimates provided from either internal or external engineers after taking into consideration the anticipated method of dismantlement and the extent of site restoration required in accordance with current legislation and industry practice. The amount of the provision is the present value of the estimated expenditures expected to be required to settle the obligation at current year prices discounted at pre-tax rate that reflects current market assessment of the time value of money and the risks specific to liability.

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

The Group reviews site restoration provisions at each financial reporting date and adjusts them to reflect current best estimates in accordance with IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities.

Changes in the measurement of an existing decommissioning liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or changes to the discount rate:

- are added to, or deducted from, the cost of the related asset in the current period. If deducted from the cost of the asset the amount deducted shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognised immediately in the profit or loss; and
- if the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss in accordance with IAS 36.

Movements in the abandonment and site restoration provision are disclosed in Note 15.

Notes to the consolidated financial statements continued

Significant estimates and assumptions: provisions and contingencies

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

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

Management of the Group believes that the long-term US Treasury real yield curve rates adjusted for country risk premium of Kazakhstan provides the best estimates of applicable real discount rate.

Any changes in the expected future costs are reflected in both the provision and the asset. Moreover, actual decommissioning costs can differ from estimates because of constantly changing decommissioning technologies as well as changes in environmental laws and regulations and public expectations.

As a result, there could be significant adjustments to the provisions established which would affect future financial results. For example, 10% increase in the cost of decommissioning may lead to additional US$2,002 liability.

For more details on abandonment and site restoration provision please refer to Note 15.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss. The Group determines the classification of its financial assets at initial recognition.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition;
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include cash, long-term and short-term deposits, trade and other receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Financial liabilities

Initial recognition, measurement and derecognition

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, long-term borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of long-term borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, long-term borrowings, and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing borrowings. For more information, refer to Note 14.

Derecognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less at inception.

Restricted cash and cash equivalent balances are those which meet the definition of cash and cash equivalents but are not available for use by the Group and therefore is not considered highly liquid – for example, cash set aside to cover decommissioning obligations or as required by the forbearance agreement.

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

For more detailed information in relation to cash and cash equivalents as at 31 December 2023 and 2022, please see Note 11.

Revenue recognition

The Group sells crude oil, gas condensate and LPG under agreements priced by reference to Platt's and/or Argus' index quotations and adjusted for freight, insurance and quality differentials where applicable. The Group sells gas under agreements at fixed prices.

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer. For sales of crude oil, gas condensate and LPG, this generally occurs when the product is physically transferred into a vessel, pipe, railcar, trucks or other delivery mechanism; for sales of gas, it is when the product is physically transferred into a pipe. The Group's LPG are sales are mostly on advance payment basis, while payment terms for gas, oil and condensate are normally 15-45 days after delivery.

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

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium. Voting rights related to treasury shares are nullified for the Group and no distributions are accepted in relation to them. Share options exercised during the reporting period can be satisfied with treasury shares.

Share-based payments

The cost of equity-settled transactions is measured at fair value at the grant date. This fair value is expensed over the period until vesting with the recognition of a corresponding equity element, which is not remeasured subsequently until the settlement date.

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and distribution yield and making assumptions about them.

Notes to the consolidated financial statements continued

5. Property, plant and equipment

As at 31 December 2023 and 31 December 2022 property, plant and equipment comprised the following:

In thousands of US Dollars	**31 December 2023**	31 December 2022
Oil and gas properties	**245,346**	268,990
Other property, plant and equipment	**7,275**	7,033
	252,621	276,023

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 2023 and 2022 was as follows:

In thousands of US Dollars	Working assets	Construction in progress	Total
Balance at 1 January 2022, net*	**272,044**	**40,965**	**313,009**
Additions	8	16,544	16,552
Transfers	28,217	(28,515)	(298)
Disposals	(9,220)	(742)	(9,962)
Disposals depreciation	16	–	16
Depreciation and depletion charge	(51,213)	–	(51,213)
Impairment transfer	(24,308)	25,194	886
			–
Balance at 31 December 2022, net*	**215,544**	**53,446**	**268,990**
Additions	727	17,217	17,944
Transfers	18,466	(18,433)	33
Disposals	(5,555)	(917)	(6,472)
Disposals depreciation	4,464	–	4,464
Depreciation and depletion charge	(39,606)		(39,606)
Impairment transfer	(2,801)	2,794	(7)
Balance at 31 December 2023, net*	**191,239**	**54,107**	**245,346**
As at 31 December 2021			
Cost	2,951,778	112,732	3,064,510
Accumulated depreciation**	(2,679,734)	(71,767)	(2,751,501)
Balance*	**272,044**	**40,965**	**313,009**
As at 31 December 2022			
Cost	2,970,783	100,019	3,070,802
Accumulated depreciation	(2,755,239)	(46,573)	(2,801,812)
Balance	**215,544**	**53,446**	**268,990**
As at 31 December 2023			
Cost	2,984,421	97,886	3,082,307
Accumulated depreciation**	(2,793,182)	(43,779)	(2,836,961)
Balance*	**191,239**	**54,107**	**245,346**

* *Balances, net of accumulated depreciation, depletion and impairment*
** *Accumulated depreciation, depletion and impairment*

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

The depletion rate for oil and gas working assets was 21.52% and 21.73% in 2023 and 2022, respectively. In 2023, the Group applied consistent approach in the estimation of oil & gas reserves adopting the same methodology with previous periods, however, the Group decided not to engage independent reserve auditors taking into account immaterial changes in the reserves estimates, which were in line with expectations.

Depletion has been calculated using the unit of production method based on these reserves estimates.

The change in the discount rate used to determine the abandonment and site restoration provision (Note 15) in the year ended 31 December 2023 resulted in the decrease of the oil and gas properties by US$ 630 thousand (31 December 2022: an increase of US$9,206 thousand).

The Group incurred borrowing costs including amortisation of arrangement fees. Capitalisation rate and capitalised borrowing costs were as follows as at 31 December 2023 and 31 December 2022:

In thousands of US Dollars	**31 December 2023**	31 December 2022
Borrowing costs including amortisation of arrangement fee	**97,288**	106,915
Capitalisation rate	**8.31%**	8.44%
Capitalised borrowing costs	**2,062**	1,504

Other property, plant and equipment

In thousands of US Dollars	Buildings	Machi-nery & equip-ment	Vehicles	Others	Total
Balance at 1 January 2022	**2,658**	**2,091**	**37**	**2,330**	**7,116**
Additions	–	313	–	773	1,086
Transfers	265	436	–	(403)	298
Disposals	(25)	(188)	(86)	(152)	(451)
Disposals depreciation	26	188	85	132	431
Depreciation	(257)	(129)	(3)	(233)	(622)
Impairment transfer	(738)	(105)	–	18	(825)
Balance at 31 December 2022	**1,929**	**2,606**	**33**	**2,465**	**7,033**
Additions	–	47	–	1,153	1,200
Transfers	(5)	83	–	(111)	(33)
Disposals	–	(551)	–	(189)	(740)
Disposals depreciation	–	548	–	169	717
Depreciation	(213)	(263)	(3)	(424)	(903)
Balance at 31 December 2023	**1,711**	**2,470**	**30**	**3,063**	**7,275**
As at 31 December 2021					
Cost	49,258	21,756	1,591	17,792	90,397
Accumulated depreciation**	(46,763)	(19,611)	(1,544)	(15,363)	(83,281)
Balance*	**2,495**	**2,145**	**47**	**2,429**	**7,116**
As at 31 December 2022					
Cost	49,498	22,317	1,505	18,010	91,330
Accumulated depreciation**	(47,569)	(19,711)	(1,472)	(15,545)	(84,297)
Balance*	**1,929**	**2,606**	**33**	**2,465**	**7,033**
As at 31 December 2023					
Cost	49,493	21,896	1,505	18,864	91,758
Accumulated depreciation**	(47,782)	(19,426)	(1,475)	(15,800)	(84,483)
Balance*	**1,711**	**2,470**	**30**	**3,064**	**7,275**

* *Balances, net of accumulated depreciation, amortisation and impairment*
** *Accumulated depreciation, amortisation and impairment*

6. Exploration and evaluation assets

On 17 July 2023, Nostrum Oil & Gas PLC completed the acquisition of an 80% interest in Positiv Invest LLP. Positiv Invest LLP holds the rights to the Stepnoy Leopard Fields situated in the West Kazakhstan region, which has been classified as being in the evaluation and appraisal phase.

As at 31 December 2023 exploration and evaluation assets comprised the following:

Balance at 1 January 2023	–
Exploration and evaluation assets related purchase consideration, net	17,330
Exploration and evaluation assets on the date of acquisition	1,560
Expenditures on Exploration and evaluation assets subsequent to acquisition	5,045
Balance at 31 December 2023	**23,935**

At the date of acquisition the exploration and evaluation assets amounted to US$1,560 thousand. During the period after the acquisition until 31 December 2023 the Group incurred further exploration and evaluation of US$5,045 thousand primarily related to the two-well appraisal programme.

7. Advances for non-current assets

As at 31 December 2023 and 31 December 2022 advances for non-current assets comprised the following:

In thousands of US Dollars	**31 December 2023**	31 December 2022
Advances for construction services	**790**	582
Advances for construction materials	**6**	1,090
Advances for other non-current assets	**322**	442
	1,118	2,114

8. Inventories

As at 31 December 2023 and 31 December 2022 inventories comprised the following:

In thousands of US Dollars	**31 December 2023**	31 December 2022
Spare parts and other inventories	**27,067**	26,720
Gas condensate	**1,072**	1,905
Crude oil	**1,217**	1,182
LPG	**462**	335
Dry gas	**30**	46
Sulphur	**4**	8
	29,852	30,196

As at 31 December 2023 and 31 December 2022 inventories are carried at cost.

9. Prepayments and other current assets

As at 31 December 2023 and 31 December 2022 prepayments and other current assets comprised the following:

In thousands of US Dollars	**31 December 2023**	31 December 2022
Advances paid	**2,123**	2,959
Other taxes receivable	**1,142**	761
VAT receivable	**5,872**	744
Other	**280**	224
	9,417	4,688

Advances paid consist primarily of prepayments made to service providers. As at 31 December 2023 the impaired VAT receivable amounted to US$567 thousand (31 December 2022: the impaired VAT receivable: US$5,596).

There were no other movements in the provision for impairment of advances paid during the year ended 31 December 2023 and the year ended 31 December 2022.

10. Trade receivables

As at 31 December 2023 and 31 December 2022 trade receivables were not interest-bearing and were mainly denominated in US dollars and Tenge. Their average collection period is not more than 45 days.

As at 31 December 2023 there were no past due but not impaired trade receivables (31 December 2022: there were past due but not impaired trade receivables). Based on the assessments made, the Group concluded that no provision for expected credit losses should be recognized as at 31 December 2023 and 31 December 2022.

11. Cash and cash equivalents

As at 31 December 2023 and 31 December 2022 cash and cash equivalents comprised the following:

In thousands of US Dollars	**31 December 2023**	31 December 2022
Current accounts in US Dollars	**160,646**	217,026
Current accounts in Tenge	**395**	13,827
Current accounts in Euro	**66**	1,824
Current accounts in other currencies	**601**	901
Petty cash	**3**	6
	161,711	233,584

In addition to the cash and cash equivalents in the table above, as at 31 December 2023 the Group had restricted cash accounts as a liquidation fund deposit of US$8,662 thousand with Halyk bank, and US$20 thousand with Jusan bank (31 December 2022: US$8,220 thousand with Halyk bank), which are kept as required by the subsoil use rights for abandonment and site restoration liabilities of the Group.

The Group set up a debt service retention account (DSRA) to ensure funding for the forthcoming two interest instalments on SUNs and SSNs. As of 31 December 2023, the DSRA contained US$16,533 thousand, (31 December 2022: US$22,802 thousand on in the escrow account established per the FBA terms).

12. Share capital and reserves

As at 31 December 2023 the ordinary share capital of the Parent consists of 169,381,561 issued and fully paid ordinary shares, which are listed on the London Stock Exchange. The ordinary shares have a nominal value of GB£ 0.01. The table below represents movements in the number of ordinary shares during the year ended 31 December 2023. The movements in the number of shares during the year ended 31 December 2023 and 31 December 2022 was as follows:

Number of shares	**In circulation**	**Treasury capital**	**TOTAL**
As at 31 December 2022	**185,234,079**	**2,948,879**	**188,182,958**
Shares issued	1,505,633,046	–	1,505,633,046
Share consolidation	(1,521,780,413)	(2,653,991)	(1,524,434,404)
As at 31 December 2023	**169,086,712**	**294,888**	**169,381,600**

As part of the Restructuring, on 9 February 2023 the Company issued 1,505,633,046 new shares in connection with the repayment of the remaining face value of the Existing Notes following the issue of the New Notes (see Note 14 below), together with accrued but unpaid interest (the "Debt for Equity Swap"). Given the number of new shares issued, at the close of business on 9 February 2023 the Company also performed a share consolidation, so as to achieve an appropriate share price following closing of the Restructuring (Note 1). As a result, the number of ordinary shares in issue was reduced from 1,693,816,004 (following the issue of the new shares) to 169,381,600 ordinary shares, on the basis of a 10:1 consolidation (the "Share Consolidation"). In order to give effect to the Share Consolidation, the Company initially reduced the nominal value of the ordinary shares (the "Sub-Division") after the issue of the new shares, through sub-division of each ordinary share at a ratio of 1:10

Notes to the consolidated financial statements continued

into one ordinary share of nominal value of £0.001 each together with nine deferred shares of nominal value £0.001 each (the "Deferred Shares"). The resulting 15,244,344,036 Deferred Shares (in practice), which are not included in the table above, have no economic or voting rights in the capital of the Company and it is expected that they will be cancelled following the implementation of the Restructuring. The nominal value of the ordinary shares following the Share Consolidation was £0.01 each. Fractions of new ordinary shares were not issued in connection with the Share Consolidation and any fractional entitlements were rounded down to the nearest whole ordinary share.

Warrants

As part of the Restructuring 18,801,358 warrants were issued to the warrant trustee, which upon exercise in full, would result in the issue of new Ordinary Shares (the "Warrant Shares") at their nominal value to the holders of the Existing Notes to Ordinary Shares from 88.89% to 90%, based upon the pro forma capitalisation of Nostrum immediately following closing of the Restructuring (but excluding entitlements under any new management incentive plan, long-term incentive plan or similar share scheme).

The Warrants will be exercisable in full upon:

- a breach of the Company's covenants or undertakings in relation to the SUNs or the Warrants;
- a change in, or breach of, certain agreed governance principles without approval from the Warrant Director ("Warrant Approval");
- a change to the agreed composition of the Board that has not obtained Warrant Approval; or
- an exit event (as specifically defined in the instrument pursuant to which the Warrants will be constituted) but including, in principle, any delisting of Nostrum from the London Stock Exchange, a change of control, sale of all or substantially all assets, the commencement of any winding-up or similar process in relation to Nostrum, or merger of Nostrum (an "Exit").

Debt for Equity swap

Debt for Equity swap was recorded by the Company in accordance with the requirements of IFRS 9 Financial Instruments and IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, i.e.:

- Derecognition of the outstanding amount of Existing Notes (after issue of the New Notes) as shown in the table below:

In thousands of US Dollars	Amount
2022 Notes principal amount	336,976
2025 Notes principal amount	192,946
2025 Notes accrued but unpaid interest of	195,216
2025 Notes accrued but unpaid interest of	91,056
Unamortised transaction costs	(2,013)
	814,181

- Recognition of the shares issued at their fair value at the time of issue of US$42,356 thousand, which was estimated at the trading share price of £0.2375 and converted into US dollars using the prevailing exchange rate of 1.2169 GBP/USD. Relevant adjustments were made in the nominal amount of the share capital in accordance with the share issue, subdivision and consolidation described above, which resulted in the following allocations between various components of equity:

In thousands of US Dollars	Amount
Net reduction in share capital	(1,051)
Reduction in treasury capital	1,494
Deferred shares	18,551
Share premium	23,133
Other reserves (warrants)	229
	42,356

- The difference between Existing Notes balance of US$814,181 thousand and the total equity additions of US$42,356 thousand as described above after deduction of the relevant proportion of lock-up fees of US$2,213 thousand, amounted to US$769,611 thousand and was recognised as a separate item in the income statement.

Treasury shares were issued to support the Group's obligations to employees under the Employee Share Option Plan ("ESOP") and the Long-Term Incentive Plan ("LTIP") and are held by Intertrust Employee Benefit Trustee Limited as trustee for the Nostrum Oil & Gas Benefit Trust.

The movements in the Group's other reserves is presented as follows:

In thousands of US Dollars	Group reorganisation reserve	Foreign currency translation reserves	Share-option reserves	Total
As at 1 January 2022	**255,459**	**3,102**	**3,824**	**262,385**
Currency translation difference	–	(490)	–	(490)
Share based payments under LTIP	–	–	(38)	(38)
As at 31 December 2022	**255,459**	**2,612**	**3,786**	**261,857**
Currency translation difference	–	62	–	62
Debt-to-equity exchange	229	–	–	229
Share based payments under LTIP	–	–	(25)	(25)
As at 31 December 2023	**255,688**	**2,674**	**3,761**	**262,123**

Group reorganisation reserve in the amount of US$255,688 thousand as of 31 December 2023 represents the difference between the partnership capital, treasury capital and additional paid-in capital of Nostrum Oil & Gas LP, the share capital of Nostrum Oil & Gas PLC, that arose during the reorganisation of the Group in 2014.

Distributions

There were no distributions made during the year ended 31 December 2023 and year ended 31 December 2022.

Kazakhstan stock exchange disclosure requirement

The Kazakhstan Stock Exchange enacted on 11 October 2010 (as amended on 18 April 2014) a requirement for disclosure of "the book value per share" (total assets less intangible assets, total liabilities and preferred stock divided by the number of outstanding shares as at the reporting date). As at 31 December 2023 the book value per share amounted to US$0.64 negative (31 December 2022: US$5.56 negative).

13. Earnings per share

As at 31 December 2023 the ordinary share capital of the Parent consists of 169,381,600 issued and fully paid ordinary shares, which are listed on the London Stock Exchange. The ordinary shares have a nominal value of GB£0.01. For the purpose of calculations of earnings per share the number of shares for the year ended 31 December 2023

	For the year ended 31 December	
	2023	2022
Income/(loss) for the period attributable to the shareholders (in thousands of US dollars)	**831,658**	(116,445)
Basic earnings per share (in US dollars)	**4.92**	(0.69)
Diluted earnings per share (in US dollars)	**4.42**	(0.69)
Weighted average number of ordinary shares for basic EPS	**169,086,713**	169,086,713
Effects of dilution from warrants	**18,818,296**	–
Weighted average number of ordinary shares adjusted for the effect of dilution	**188,182,958**	169,086,713

14. Notes payable and accumulated interest

Notes payable and accumulated interest are comprised of the following as at 31 December 2023 and 31 December 2022:

In thousands of US Dollars	**31 December 2023**	31 December 2022
Notes issued in 2017 and maturing in 2022	**–**	725,000
Notes issued in 2018 and maturing in 2025	**–**	396,320
Senior Secured Notes	**207,304**	–
Senior Unsecured Notes	**264,443**	–
Accrued interest	**–**	275,197
	471,747	1,396,517
Less amounts due within 12 months	**(175)**	(1,396,517)
	471,572	–

Senior Secured Notes (SSNs)

Following the Restructuring of the 2025 and 2022 Notes, Nostrum Oil & Gas Finance BV, issued US$250,000,000 senior secured notes due 30 June 2026. The SSNs bear cash-pay interest at a rate of 5.0% per year, payable semi-annually. Pursuant to the Lock-up Agreement, the Group has agreed that the 5.0% cash interest will accrue from 1 January 2022 and such accrued amount was paid in cash after the issue of the SSNs. For more information, please refer to Note 1.

Senior Unsecured Notes (SUNs)

Following the Restructuring of the 2025 and 2022 Notes, Nostrum Oil & Gas Finance BV issued US$300,000,000 senior notes due 30 June 2026. The SUNs bear interest at a rate of 1.0% cash-pay and 13.0% payment-in-kind (PIK) per year, payable semi-annually. Pursuant to the Lock-up Agreement, the Company agreed that the 1.0% cash interest and 13.0% PIK interest would accrue from 1 January 2022. Accordingly, Nostrum Oil & Gas Finance issued a principal amount of US$45,078,172 additional SUNs representing the PIK interest which has been agreed to be payable with effect from 1 January 2022 until 9 February 2022 upon the issue of the SUNs. For more information, please refer to Note 1 for Restructuring terms.

2022 Notes

On 25 July 2017, a newly incorporated entity, Nostrum Oil & Gas Finance B.V. (the "2022 Issuer") issued US$725,000 thousand notes with maturity on 25 July 2022. The 2022 Notes bore interest at a rate of 8.00% per year, payable on 25 January and 25 July of each year. The 2022 Notes were jointly and severally guaranteed (the "2022 Guarantees") on a senior basis by Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A., Zhaikmunai LLP and Nostrum Oil & Gas B.V. (the "2022 Guarantors"). The 2022 Notes were the 2022 Issuer's and the 2022 Guarantors' senior obligations and ranked equally with all of the 2022 Issuer's and the 2022 Guarantors' other senior indebtedness. The issue of the 2022 Notes was used primarily to fund the refinancing of part of the Group's Notes issued in 2012 and 2014.

2025 Notes

On 16 February 2018, Nostrum Oil & Gas Finance B.V. (the "2025 Issuer") issued US$400,000 thousand notes with maturity on 16 February 2025. The 2025 Notes bore interest at a rate of 7.00% per year, payable on 16 August and 16 February of each year. The 2025 Notes were jointly and severally guaranteed (the "2025 Guarantees") on a senior basis by Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A., Zhaikmunai LLP and Nostrum Oil & Gas B.V. (the "2025 Guarantors"). The 2025 Notes were the 2025 Issuer's and the 2025 Guarantors' senior obligations and ranked equally with all of the 2025 Issuer's and the 2025 Guarantors' other senior indebtedness. The issue of the 2025 Notes was used primarily to fund the refinancing of the remaining Group's Notes issued in 2012 and 2014.

Exchange of debt instruments

Taking into account significant differences in the terms of the Existing Notes and the terms of SSNs and SUNs issued in exchange, the Group accounted for the exchange transaction in accordance with the requirements of IFRS 9 Financial Instruments for a substantial modification, i.e. extinguishment of the Existing Notes and recognition of the New Notes at their fair value.

Such fair values have been determined by discounting future cashflows at the relevant implied yields of the instruments on issue date (13.25% for SSNs and 31.04% for SUNs). The resulting gains on initial recognition of SSNs and SUNs in the amount of $40.294 thousand and $134.132 thousand, respectively, were recorded in the income statements under separate line item. These adjustments will be amortised over the life of the instruments and reflected as part of finance costs in the income statement.

Reclassification to current liabilities

The Group has not made coupon payments due under the Existing Notes since July 2020, which was an event of default under the terms of the indentures governing 2022 Notes and 2025 Notes. Considering these facts and circumstances, starting from Q3 2020 the Group reclassified the carrying amounts of the 2022 Notes and 2025 Notes into current liabilities and since then and until the restructuring has been presenting them as the current portion of long-term borrowings in the statement of financial position.

More detailed information for restructuring is disclosed in the Note 1.

Covenants contained in the SSNs and SUNs

The SSNs and SUNs contained consistent covenants that, among other things, sets following requirements, subject to certain exceptions and qualifications, the Issuer, the Guarantors, and certain other members of the Group:

- Produce reports to holders, including quarterly and annual financial statements and certain other reports and documents upon request from bondholders;
- Limitations on Indebtedness;
- Limitations on restricted payments;
- Limitations on restrictions on distributions from Group entities;
- Limitations on sales of assets and equity interests in Group subsidiaries;
- Limitations on affiliate transactions;
- Limitation on line of business;
- Listing of the bonds on international stock exchange;
- Change of Control;
- Limitation on Liens;
- Limitation on issuances of guarantees of Indebtedness;
- Payments for Consents;
- Additional Amounts;
- Compliance Certificates; Default Notices;
- Registration with the National Bank of Kazakhstan;
- Merger and Consolidation;
- Cashflow Arrangements.

In addition, the indentures imposed certain requirements as to future subsidiary guarantors, and certain customary information covenants and events of default.

Changes in liabilities arising from financing activities

In thousands of US Dollars	**1 January**	Cash outflows	Borrowing costs including amortisation of arrangement fees	Gain on debt-to-equity exchange	Fair value adjustment on recognition of debt instruments	Reclassification from non-current to current	**31 December**
2023							
Notes payable and accumulated interest	1,396,517	(35,649)	97,288	(811,983)	(174,426)	–	**471,747**
2022							
Notes payable and accumulated interest	**1,289,603**	–	106,914	–		–	**1,396,517**

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Notes to the consolidated financial statements continued

15. Abandonment and site restoration provision

The summary of changes in abandonment and site restoration provision during years ended 31 December 2023 and 2022 is as follows:

In thousands of US Dollars	2023	2022
Provision as at 1 January	**20,073**	**29,008**
Unwinding of discount	973	271
Additional provision	472	–
Provision disposed	–	–
Change in estimates	629	(9,206)
Provision as at 31 December	**22,147**	**20,073**

Management's estimation is predicated on the expectation that cash flow will occur at the termination of the subsoil use rights, projected for 2032 for the Chinarevskoye field and 2044 for the Stepnoy Leopard fields. 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 2023 was 4.52% (31 December 2022: 4.87%). The change in the discount rate during the year ended 31 December 2023 resulted in the increase of the abandonment and site restoration provision by US$629 thousand (31 December 2022: decrease US$9.206 thousand).

Additional provision is resulted from recognition liability for Stepnoy Leopard fields of 3 wells.

16. 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 2023 and 31 December 2022 is as follows:

In thousands of US Dollars	2023	2022
Balance as at 1 January	5,033	5,594
Unwinding of discount	654	470
Paid during the year	(1,031)	(1,031)
Balance as at 31 December	**4,656**	**5,033**
Less: current portion	**(1,031)**	**(1,031)**
Non-current portion	**3,625**	**4,002**

17. Trade payables

Trade payables comprise the following as at 31 December 2023 and 31 December 2022:

In thousands of US Dollars	31 December 2023	31 December 2022
Tenge denominated trade payables	**8,246**	6,942
US Dollar denominated trade payables	**1,684**	1,543
Euro denominated trade payables	**466**	1,160
Russian Rouble denominated trade payables	**44**	141
Trade payables denominated in other currencies	**192**	143
	10,632	9,929

18. Other current liabilities

Other current liabilities comprise the following as at 31 December 2023 and 31 December 2022:

In thousands of US Dollars	31 December 2023	31 December 2022
Other accruals	**16,867**	23,481
Training obligations accrual	**6,317**	6,441
Due to employees	**4,019**	2,724
Taxes payable, including corporate income tax	**2,600**	15,437
Other current liabilities	**707**	757
	30,510	**48,840**

Other accruals include various amounts accrued according to management best estimates and assessment of probabilities of cash outflows, such as penalties related to tax audit payments, environmental provision and other similar items.

19. Revenue

In thousands of US Dollars	For the year ended 31 December 2023	2022
Revenue from oil and gas condensate sales	**101,463**	158,107
Revenue from gas and LPG sales	**18,009**	41,578
Revenue from external raw material processing	**156**	–
Revenue from sulphur sales	**1**	32
	119,629	199,717

The pricing for all of the Group's crude oil, condensate and LPG is, directly or indirectly, related to the price of Brent crude oil. The average Brent crude oil price the year ended 31 December 2023 was US$82.16/bbl (year ended 31 December 2022: US$99.0/bbl).

The operations of the Group are located in only one geographic location, Kazakhstan.

During the year ended 31 December 2023 the revenue from sales to three major customers amounted to US$52,190 thousand, US$42,979 thousand and US$8,008 thousand respectively (year ended 31 December 2022: US$151,302 thousand, US$15,707 thousand and US$6,805 thousand respectively). The Group's exports were mainly represented by deliveries to Azerbaijan and to the Baltic ports of Russia.

20. Cost of sales

In thousands of US Dollars	For the year ended 31 December 2023	2022
Depreciation, depletion and amortisation	**40,321**	51,682
Payroll and related taxes	**16,741**	14,179
Repair, maintenance and other services	**6,558**	6,662
Well repair and maintenance costs	**5,027**	3,122
Materials and supplies	**4,922**	4,333
Transportation services	**2,505**	2,285
Change in stock	**691**	1,191
Environmental levies	**138**	79
Other	**725**	520
	77,628	84,053

21. General and administrative expenses

In thousands of US Dollars	For the year ended 31 December 2023	2022
Payroll and related taxes	**7,622**	6,634
Professional services	**4,182**	3,556
Business travel	**568**	282
Insurance fees	**427**	577
Depreciation and amortisation	**188**	153
Materials and supplies	**166**	182
Communication	**159**	180
Short-term leases	**109**	172
Bank charges	**29**	47
Other	**357**	293
	13,807	12,076

22. Selling and transportation expenses

In thousands of US Dollars	For the year ended 31 December 2023	2022
Transportation costs	**4,914**	8,473
Loading and storage costs	**4,091**	8,094
Payroll and related taxes	**1,501**	1,375
Other	**1,897**	2,008
	12,403	19,950

23. Taxes other than income tax

In thousands of US Dollars	For the year ended 31 December 2023	2022
Export customs duty	**8,154**	10,014
Royalties	**4,841**	8,116
Government profit share	**1,169**	1,692
Other taxes	**23**	8
	14,187	**19,830**

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

24. Finance costs

In thousands of US Dollars	For the year ended 31 December 2023	2022
Interest expense on borrowings	**95,226**	105,411
Other finance costs	**5,973**	16,986
Unwinding of discount on amounts due to Government of Kazakhstan	**654**	470
Unwinding of discount on abandonment and site restoration provision	**973**	271
	102,826	123,138

Other finance costs represent advisor fees incurred by the Group in relation to the FBAs, Lock-up Agreement and process of restructuring of the Group's outstanding bonds. For more details on the restructuring see Note 1.

Notes to the consolidated financial statements continued

25. Employees' remuneration

The average monthly number of employees (including Executive Directors) employed was as follows:

In thousands of US Dollars	For the year ended 31 December 2023	2022
Management and administrative	**145**	**137**
Technical and operational	**412**	**417**
	557	**554**

Their aggregate remuneration comprised:

In thousands of US Dollars	For the year ended 31 December 2023	2022
Wages and salaries	**22,155**	19,057
Social security costs	**3,952**	3,393
Share-based payments	**(25)**	(38)
	26,082	22,412

The amount reflected in the income statement was US$22,150 thousand (2022: US$22,150 thousand).

Key management personnel remuneration

In thousands of US Dollars	For the year ended 31 December 2023	2022
Short-term employee benefits	**4,203**	4,033
Share-based payments	–	–
	4,203	4,033

Directors' remuneration

In thousands of US Dollars	For the year ended 31 December 2023	2022
Short-term employee benefits	**1,138**	1,960
Share-based payments	–	–
	1,138	1,960

As at 31 December 2023 the amount payable to key management personnel was US$1,369 thousand (31 December 2022: US$611 thousand).

Employee share option plan (ESOP)

The Group's Phantom Option Plan was adopted by the board of directors of the Company on 20 June 2014 to allow for the continuation of the option plan previously maintained by Nostrum Oil & Gas LP. The rights and obligations in relation to this option plan were transferred to Nostrum Oil & Gas PLC from Nostrum Oil & Gas LP following the reorganisation.

Employees (including senior executives and executive directors) of members of the Group received remuneration in the form of equity-based payment transactions, whereby employees render services as consideration for share appreciation rights, which can only be settled in cash ("cash-settled transactions").

2017 Long-term incentive plan

In 2017 the Group started operating a Long-term incentive plan ("the LTIP"), that was approved by the shareholders of the Company on 26 June 2017 and adopted by the board of directors of the Company on 24 August 2017. The LTIP is a discretionary benefit offered by the Company for the benefit of selected employees. Its main purpose is to increase the interest of the employees in the Company's long-term business goals and performance through share ownership. The LTIP is an incentive for the employees' future performance and commitment to the goals of the Company. The remuneration committee of the board of the Company has the right to decide, in its sole discretion, whether or not further awards will be granted in the future and to which employees those awards will be granted.

Employees (including senior executives and executive directors) of members of the Group may receive an award, which is a "nominal cost option" over a specified number of ordinary shares in the capital of the Company. The option has an exercise price of 1p per share (but the Company has the discretion to waive this prior to exercise). In addition, under the Rules of the LTIP the Company has discretion to settle awards other than by transfer of shares such as by way of cash settlement. Generally, the awards are classified as equity-settled transactions. The share options are treated as equity-settled since there are no legal limitations expected on issue of shares for these upon vesting, the Group has a choice of settlement and the intention is to settle them in equity. However, in certain jurisdictions due to regulatory requirements the Company may not be able to settle the awards other than by transfer of cash, in which case the awards are classified as cash-settled transactions, and accounted for similar to SARs.

26. Other income and other expenses

For the year ended 31 December 2023 and 2022 other income comprise the following:

In thousands of US Dollars	For the year ended 31 December 2023	2022
Insurance compensation	**3,588**	–
Reversals of other accruals	**1,561**	3,561
Recovery of bad debt	**688**	–
Currency conversion	**199**	360
Reversals of training accruals	**10**	2,214
Catering and accommodation	**75**	212
Other	**309**	459
	6,430	**6,806**

For the year ended 31 December 2023 and 2022 other expenses comprise the following:

In thousands of US Dollars	For the year ended 31 December 2023	2022
Other taxes, penalties and accruals	**9,856**	27,149
Business development costs	**1,554**	–
Loss on disposal of property, plant and equipment	**917**	–
Training accruals	**586**	428
Currency conversion	**322**	581
Social program	**310**	311
Sponsorship	**59**	903
Other	**1,071**	449
	14,675	**29,821**

Other taxes, penalties and accruals mainly include additional taxes, penalties and environmental provisions 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

In thousands of US Dollars	For the year ended 31 December 2023	2022
Deferred income tax expense	**(5,376)**	15,827
Withholding tax	**614**	560
Corporate income tax expense	**5,743**	5,777
Adjustment in respect of the current income tax for the prior periods	**3,693**	12,500
	4,674	34,664

The Group's profits are assessed for income taxes mainly in the Republic of Kazakhstan. A reconciliation between tax expense and the product of accounting profit multiplied by the Kazakhstani tax rate applicable to the Chinarevskoye subsoil use rights is as follows:

In thousands of US Dollars	For the year ended 31 December 2023	2022
Loss before income tax	836,332	(81,781)
Tax rate applicable to the subsoil use rights	30%	30%
Expected tax provision	**250,900**	**(24,534)**
Non-deductible interest expense on borrowings and other financial expenses	25,490	32,488
Non-deductible taxes and penalties	2,957	7,842
Effect of exchange rate on the tax base	(587)	4,581
Adjustments in respect of current income tax of previous years	3,693	12,500
Net foreign exchange gain	286	(76)
Reversal of training provisions	173	(536)
Fair value adjustment on recognition of debt instruments	(52,328)	–
Gain on debt-to-equity exchange	(230,883)	–
Non-deductible unwinding of discount	488	222
Other non-deductible expenses	4,485	2,177
Income tax expense	**4,674**	**34,664**

[1] Jurisdictions which contribute significantly to this item are Republic of Kazakhstan with an applicable statutory tax rate of 20% (for activities not related to the Contract), and the Netherlands with an applicable statutory tax rate of 25%.

Certain revisions to previous period tax assessments were made considering new information, which was not available at the time of preparation of respective financial information, and relevant interpretations by the management. During 2022 the tax authorities in Kazakhstan carried out a comprehensive tax audit of Zhaikmunai LLP for the financial years 2016-2021, as a result of which additional corporate income tax in a principal amount equivalent to US$12,500 thousand has been assessed for the periods covered.

In management's view, as at 31 December 2023 there were no significant uncertain tax positions requiring disclosure in accordance with IFRIC 23 – Uncertainty over Income Tax Treatments, other than those detailed in Note 30..

The Group's effective tax rate for the year ended 31 December 2023 is negative 0.5% (2022: 42.4%). The Group's effective tax rate, excluding effect of movements in exchange rates, non-deductible interest expense on borrowings and other one-off items, for the year ended 31 December 2023 is 31.0% (2022: 2.9%).

As at 31 December 2023 the Group has tax losses of US$127,982 thousand (2022: US$122,111 thousand) that are available to offset against future taxable profits in the companies in which the losses arose within 9 years after generation and will expire in the period 2023-2029. On 21 May 2021, a Royal Decree was issued in the Netherlands, which dictates that the tax losses can now be carried forward indefinitely from 1 January 2022, subject to annual limit on carry back loss utilization. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group.

Deferred tax liability is primarily attributable to operations in Kazakhstan, hence calculated by applying the Kazakhstani statutory tax rate applicable to the Chinarevskoye subsoil use rights to the temporary differences between the tax amounts and the amounts reported in the consolidated financial statements and are comprised of the following:

In thousands of US Dollars	31 December 2023	31 December 2022
Deferred tax asset		
Accounts payable and provisions	**3,232**	2,877
Deferred tax liability		
Property, plant and equipment	**(44,943)**	(49,763)
Inventories	**(2,812)**	(3,131)
Long-term borrowings	**–**	118
Net deferred tax liability	**(44,523)**	(49,899)

The movements in the deferred tax liability were as follows:

In thousands of US Dollars	2023	2022
Balance as at 1 January	**49,899**	34,072
Current period charge to statement of comprehensive income	**(5,376)**	15,827
Balance as at 31 December	**44,523**	49,899

28. Related party transactions

For the purpose of these consolidated financial statements transactions with related parties mainly comprise transactions between subsidiaries of the Company and the key management. It should be noted that intercompany balances and transactions are offset on consolidation.

Remuneration (represented by short-term employee benefits) of key management personnel amounted to US$4,203 thousand for the year ended 31 December 2023 (year ended 31 December 2022: US$4,033 thousand).

29. Audit and non-audit fees

During the years ended 31 December 2023 and 2022 audit and non-audit fees comprise the following:

In thousands of US Dollars	For the year ended 31 December 2023	2022
Audit services:		
Ernst & Young	420	561
MHA & Baker Tilly International	696	627
Total audit services	**1,116**	1,188
Services relating to corporate finance transactions:		
Ernst & Young	–	161
Total non-audit services	**–**	161
	1,116	1,349

The audit fees for the year ended 31 December 2023 in the table above include the audit fees of US$10 thousand in relation to the Parent (2022: US$10 thousand).

The audit fees for the year ended 31 December 2023 include fees related to the audit of the 2022 financial statements in the amount of US$20 thousand, which represent audit overruns (2022: overruns in the amount of US$ 186 thousand and the fees for the forensic scope of US$ 108 thousand).

Notes to the consolidated financial statements continued

30. Contingent liabilities and commitments

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe and where the tax authorities disagree with the positions taken by the Group the financial outcomes could be material. Administrative fines are generally 80% of the taxes additionally assessed and interest penalty is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 December 2023. As at 31 December 2023 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax position will be sustained.

Pending tax disputes

In late 2023 the Kazakhstan tax authorities conducted a withholding tax audit of Zhaikmunai LLP for the financial year 2018, and in January 2024 issued a withholding tax assessment equivalent to US$6.8 million and related fines and penalties equivalent to US$5.1 million. According to Company's best estimates, the application of similar arguments to the periods 2019-23 could result in additional amounts of taxes and penalties in the amount of circa US$3.0 million. This excludes other items included within the assessment which the Company believes to be a remote risk.

Whilst Zhaikmunai LLP successfully challenged the legality and enforceability of the 2018 withholding tax assessment in January 2024, the Kazakhstan tax authorities subsequently filed an appeal in April 2024 which will be heard in the appellate court. Following the decision of the appellate court, either party has the right to a final appeal to the Supreme Court of Kazakhstan.

Kazakhstan's tax legislation and regulations are subject to varying interpretations and instances of inconsistent opinions between local, regional, and national tax authorities and courts are not unusual. Taking this into account, while management believes that it is likely that the ruling in Zhaikmunai's favour will be upheld on appeal, management assesses the risk of an unfavourable outcome for Zhaikmunai in pending and future legal proceedings and resulting payment of the above-mentioned claimed amounts of taxes and penalties as possible.

Abandonment and site restoration (decommissioning)

As Kazakh laws and regulations concerning site restoration and clean-up evolve, the Group may incur future costs, the amount of which is currently indeterminable. Such costs, when known, will be provided for as new information, legislation and estimates evolve.

Environmental obligations

The Group may also be subject to loss contingencies relating to regional environmental claims that may arise from the past operations of the related fields in which it operates. Kazakhstan's environmental legislation and regulations are subject to ongoing changes and varying interpretations. As Kazakh laws and regulations evolve concerning environmental assessments and site restoration, the Group may incur future costs, the amount of which is currently indeterminable due to such factors as the ultimate determination of responsible parties associated with these costs and the Government's assessment of respective parties' ability to pay for the costs related to environmental reclamation.

However, depending on any unfavourable court decisions with respect to any claims or penalties assessed by the Kazakh regulatory agencies, it is possible that the Group's future results of operations or cash flow could be materially affected in a particular period.

Capital commitments

As at 31 December 2023, the Group had contractual capital commitments in the amount of US$ 16,039 thousand (31 December 2022: US$2,845 thousand), mainly in respect to the Group's oil field development activities.

Social and education commitments

As required by the Contract (after its amendment on 2 September 2019), the Group is obliged to:

- spend US$ 300 thousand per annum to finance social infrastructure;
- make an accrual of one percent per annum of the actual investments for the Chinarevskoye field for the purposes of educating Kazakh citizens.

Domestic oil sales

In accordance with Supplement # 7 to the Contract, Zhaikmunai LLP is required to deliver at least 15% of produced oil to the domestic market on a monthly basis for which prices are materially lower than export prices.

31. Financial risk management objectives and policies

The Group's principal financial liabilities comprise borrowings, payables to the Government of Kazakhstan, trade payables and other current liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's financial assets consist of trade and other receivables and cash and cash equivalents that derive directly from its operations.

The Group is exposed to commodity price risk, foreign currency risk, liquidity risk and credit risk. The Group's senior management oversees the management of these risks. The Group's senior management ensures that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Climate change

Management has considered how the Group's identified climate risks and climate related goals (as discussed in Climate Change and GHG Emissions in the Group's 2023 Annual Report) may impact the estimation of the recoverable value of cash-generating unit tested for impairment. The anticipated extent and nature of the future impact of climate on the Group's operations and future investment depends on the development of new technologies and production processes employed and the level of emissions, energy efficiency and use of renewable energy. The sensitivity of the Group's impairment assessment to these factors is also impacted by the extent that estimated recoverable value exceeds the carrying value of an individual cash-generating unit – where this is lower there is an increased risk of a future impact. The Group is in the process of identifying a range of actions and initiatives to progress towards the Group's goals, including reduction of greenhouse gas emissions, wastewater discharges and increase of waste utilisation. In certain cases, the costs of such actions have been quantified and are included in the Group's forecasts which are used to estimate recoverable value for the Group's cash-generating unit. Other actions and initiatives continue to be explored by the Group but are not sufficiently certain to be reflected in the Group's forecasts of estimated recoverable value.

Commodity price risk

The Group is exposed to the effect of fluctuations in price of crude oil, which is quoted in US dollar on the international markets. The Group prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of crude oil prices in the future.

Interest rate risk

The Group is not exposed to interest rate risk in 2023 and 2022 as the Group had no financial instruments with floating rates as at years ended 31 December 2023 and 2022.

Foreign currency risk

As a significant portion of the Group's operation is Tenge denominated, the Group's statement of financial position can be affected by movements in the US dollar / Tenge exchange rates. The Group mitigates the effect of its structural currency exposure by borrowing in US dollars and denominating sales in US dollars.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant.

	Change in Tenge to US dollar exchange rate	Effect on profit before tax (In thousands of US Dollars)
2023	21%	6,344
	(21%)	(9,716)
2022	21%	5,455
	(21%)	(8,355)

A devaluation of Tenge against US dollar by 21% would lead to decrease in the net Tenge liability position by US$8,355 thousand as of 31 December 2023 and respective reduction of the loss before income tax for the year ended 31 December 2023. The impact on equity is the same as the impact on profit before tax.

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

In thousands of US Dollars	Tenge	Russian Roubles	Euro	Other	Total
As at 31 December 2023					
Cash and cash equivalents	395	–	66	604	1,065
Trade receivables	1,530	–	–	–	1,530
Trade payables	(8,246)	(44)	(466)	(192)	(8,948)
Other current liabilities	(30,278)	–	(2,107)	(27)	(32,412)
	(36,599)	**(44)**	**(2,507)**	**385**	**(38,765)**
As at 31 December 2022					
Cash and cash equivalents	13,827	–	1,824	907	16,558
Trade receivables	1,997	–	–	–	1,997
Trade payables	(6,942)	(141)	(1,160)	(143)	(8,386)
Other current liabilities	(40,312)	–	(1,476)	(63)	(41,851)
	(31,430)	**(141)**	**(812)**	**701**	**(31,682)**

Liquidity and funding risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. The Group monitors its risk to a shortage of funds using a liquidity planning tool. The tool allows selecting severe stress test scenarios (for more details see Viability statement on pages 39-40 of the Annual Report). To ensure an adequate level of liquidity a minimum cash balance has been defined as a cushion of liquid assets. The Group's objective is to maintain a balance between continuity and diversity of funding and flexibility through the use of notes, export financing and leases.

The successful completion of the 2025 and 2022 Notes restructuring efforts has enhanced the Group's liquidity position and provided a more sustainable debt profile. The Directors confirm their expectation that the Group will continue to operate and meet its obligations as they fall due through the three-year viability assessment period ending 31 December 2025.

For more information on analysis of the Group's ability to meet its liabilities on repayment of the Notes please see "Viability statement" section on the Annual report on pages 39-40.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2023 and 31 December 2022 based on contractual undiscounted payments:

In thousands of US Dollars	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
As at 31 December 2023						
Borrowings	–	–	16,489	805,097	–	821,586
Trade payables	10,305	–	327	–	–	10,632
Other current liabilities	12,936	–	–	–	–	12,936
Due to Government of Kazakhstan	–	258	773	4,124	2,319	7,474
	23,241	**258**	**17,589**	**809,221**	**2,319**	**852,628**
As at 31 December 2022						
Borrowings	1,400,197	43,000	43,000	–	–	1,486,197
Trade payables	9,525	–	404	–	–	9,929
Other current liabilities	10,824	–	–	–	–	10,824
Due to Government of Kazakhstan	–	258	773	4,124	3,350	8,505
	1,420,546	**43,258**	**44,177**	**4,124**	**3,350**	**1,515,455**

Notes to the consolidated financial statements continued

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and foreign exchange transactions.

The Group places its cash and deposits primarily with Citibank, N.A., and Halyk bank JSC with most recent credit ratings from Moody's rating agency of Aa3 (Stable), and Baa2 (Stable), respectively.

The Group sells its products and makes advance payments only to recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts and recoverability of prepayments made is not significant and thus risk of credit default is low. Also, the Group's policy is to mitigate the payment risk on its off-takers by requiring all purchases to be prepaid or secured by a letter of credit from an international bank.

The Group considers a financial asset in default when contractual payments are 90 days past due, however certain exceptions can be made depending on the particular circumstances and discussions with the counterparty. Also, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

An impairment analysis is performed at each reporting date on an individual basis for major clients. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets. The Group's maximum exposure to credit risks is represented by its balances of cash and cash equivalents and restricted cash (Note 11).

Fair values of financial instruments

Management assessed that the fair value of cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate their carrying amounts at 31 December 2023 and 31 December 2022.

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts reasonably approximating their fair values:

	Carrying amount		Fair value	
In thousands of US Dollars	**31 December 2023**	31 December 2022	**31 December 2023**	31 December 2022
Interest bearing borrowings	471,747	1,396,517	270,834	272,500
Total	**471,747**	**1,396,517**	**270,834**	**272,500**

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

During the year ended 31 December 2023 and year ended 31 December 2022 there were no transfers between the levels of fair value hierarchy of the Group's financial instruments.

Capital management

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

Since the engagement with the AHG in discussions on potential restructuring of the Notes and signing of the FBAs in 2020 (see Note 1), the Group's focus was on maintaining short-term liquidity and preserving cash. Successful cost optimisation programme, favourable hydrocarbon pricing and successful restructuring enabled the Group to grow its unrestricted cash balances to the level of US$161,711 thousand as at 31 December 2023. After successful implementation of the restructuring, the Group is in the process of revising its capital management policy in line with new requirements of SSN and SUN trust deeds and shareholder expectations.

32. Events after the reporting date

AIX delisting

On February 21, 2024 the Parent announced the successful completion of the delisting process for its ordinary shares from the Official List of the Astana International Exchange.

Update on Stepnoy Leopard Fields

In Q1 2024, the well appraisal operations on Stepnoy Leopard Fields were nearly complete and significant data has been collected that included well flow rates, fluid contacts, and fluid and reservoir properties across a logged interval with c. 50-meter of net-pay. The flow-rate and pressure build-up tests confirmed high well productivity potential. The positive results obtained to date supported the commercial potential of the fields, hence in March 2024 the Company made a final investment decision ("FID") for the initial field development phase of the Stepnoy Leopard Fields with the forecast total capital budget for this initial field development phase of US$100 million gross. The Company plans to compile a Competent Person's Report (CPR) to reclassify specific resources into reserves.

Drilling programme

Following the approval of two-well drilling programme at the Chinarevskoye field in 2023, the first well (CHN-301) was spudded in December of 2023 with drilling in Q1 2024 to total depth of 4,980 meters on time and on budget, and awaiting completion operations with start-up expected mid-2024. It had multiple in-fill targets across the Carboniferous and Devonian age reservoirs. Hydrocarbons (oil, gas-condensate) have been encountered across three key intervals. The results are in line with our expectations of initial well rates of 400 to 700 boepd. Next, the drilling rig will be moved to well No.41, with expected spud in April and start-up in Q3 2024. This well is a sidetrack and carries a higher level of geologic risk as it is a step-out from the existing well control in the targeted Devonian reservoir. If successful, these wells will enable a cost-effective means of converting the field's 2P reserves to PDP whilst also complying with Zhaikmunai's PSA obligations.

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Parent company statement of financial position

In thousands of US Dollars	Notes	**31 December 2023**	31 December 2022
Assets			
Non-current assets			
Property, plant and equipment		**7**	3
		7	3
Current assets			
Prepayments and other current assets		**252**	167
Receivables from related parties	6	**1,907**	955
Cash and cash equivalents	7	**160**	901
		2,319	2,023
TOTAL ASSETS		**2,326**	2,026
Equity and liabilities			
Share capital and reserves			
Share capital	8	**2,152**	3,203
Deferred shares		**18,551**	–
Share premium		**792,744**	0
Retained deficit and reserves		**(1,006,281)**	(903,094)
		(192,834)	(899,891)
Financial guarantees, long-term	9	**193,817**	–
		193,817	–
Current liabilities			
Current portion of financial guarantees	9	**–**	900,684
Payables to related parties	10	**258**	323
Trade payables		**1,011**	847
Income tax payable		**48**	–
Other current liabilities		**26**	63
		1,343	901,917
TOTAL EQUITY AND LIABILITIES		**2,326**	2,026

As permitted by section 408(3) of the Companies Act 2006, the profit and loss account of the Company is not presented in the Company's financial statements.

The Company reported a loss of US$103,392 thousand in the statement of comprehensive income or the financial year ended 31 December 2023, which includes current income tax expense of US$48 thousand (2022: loss US$90,955 thousand including income tax benefit of US$27 thousand). During the reporting periods there were no transactions impacting the statement of other comprehensive income.

The financial statements of Nostrum Oil & Gas PLC, registered number 8717287, were approved by the Board of Directors. The financial statements were authorised for issue on 18 April 2024.

Signed on behalf of the Board:

Arfan Khan
Chief Executive Officer
18 April 2024

The accounting policies and explanatory notes on pages 157 through 164 are an integral part of these consolidated financial statements

Parent company statement of cash flows

In thousands of US Dollars	Notes	For the year ended 31 December **2023**	2022
Cash flow from operating activities:			
Loss before income tax		**(103,344)**	(90,982)
Adjustments for:			
Depreciation		**3**	3
Impairment charge		**1,004,290**	–
Employee share option plan fair value adjustment		**–**	(38)
Financial guarantee (release 2023) / movement 2022	9	**(900,684)**	90,872
Operating profit before working capital changes		**265**	(145)
Changes in working capital:			
Change in other current assets		**(84)**	322
Change in receivables from related parties		**(952)**	45
Change in trade payables		**164**	367
Change in payables to related parties		**(65)**	(153)
Change in other current liabilities		**(62)**	(45)
Cash generated from operations		**(734)**	391
Income tax paid		**–**	(34)
Net cash flows from operating activities		**(734)**	357
Cash flow from investing activities:			
Purchase of property, plant and equipment		**(7)**	(4)
Net cash used in investing activities		**(7)**	(4)
Net change in cash and cash equivalents		**(741)**	353
Cash and cash equivalents at the beginning of the year	7	**901**	549
Cash and cash equivalents at the end of the year	7	**160**	901

The accounting policies and explanatory notes on pages 157 through 164 are an integral part of these consolidated financial statements

Parent company statement of changes in equity

In thousands of US Dollars	Notes	Share capital	Deferred shares	Share premium	Other reserves	Retained deficit	Total
As at 1 January 2022		**3,203**	**–**	**–**	**605**	**(812,706)**	**(808,898)**
Loss for the year		–	–	–	–	(90,955)	(90,955)
Total comprehensive loss for the year		**–**	**–**	**–**	**–**	**(90,955)**	**(90,955)**
Share based payments under LTIP	13	–	–	–	(38)	–	(38)
As at 31 December 2022		**3,203**	**–**	**–**	**567**	**(903,661)**	**(899,891)**
Loss for the year		–	–	–	–	(103,392)	(103,392)
Total comprehensive loss for the year		**–**	**–**	**–**	**–**	**(103,392)**	**(103,392)**
Debt-to-equity exchange		(1,051)	18,551	792,744	229	–	810,473
Share based payments under LTIP		–	–	–	(24)	–	(24)
As at 31 December 2023		**2,152**	**18,551**	**792,744**	**772**	**(1,007,053)**	**(192,834)**

The accounting policies and explanatory notes on pages 157 through 164 are an integral part of these consolidated financial statements

Notes to the parent company financial statements

1. General

Overview

Nostrum Oil & Gas PLC ("the Company") is a public limited company incorporated on 3 October 2013 under the Companies Act 2006 and registered in England and Wales with registered number 8717287. The registered address of Nostrum Oil & Gas PLC is: 20 Eastbourne Terrace, London W2 6LA, United Kingdom.

The subsidiary undertakings of the Company as at 31 December 2023 and the percentage holding of their capital are set out below:

Company	Registered office	Form of capital	Ownership, %
Nostrum Associated Investments LLP	43B Karev street, 090000 Uralsk, Republic of Kazakhstan	Participatory interests	100
Nostrum Oil & Gas Coöperatief U.A.	Bloemendaalseweg 139, 2061 CH Bloemendaal, The Netherlands	Members' interests	100
Nostrum Oil & Gas B.V.	Bloemendaalseweg 139, 2061 CH Bloemendaal, The Netherlands	Ordinary shares	100
Nostrum Oil & Gas Finance B.V.	Bloemendaalseweg 139, 2061 CH Bloemendaal, The Netherlands	Ordinary shares	100
Nostrum Oil & Gas UK Ltd.	20 Eastbourne Terrace, London, W2 6LA, United Kingdom	Ordinary shares	100
Nostrum Oil & Gas Holding Ltd.	20 Eastbourne Terrace, London, W2 6LA, United Kingdom	Ordinary shares	100
Nostrum Services Central Asia LLP	Aksai 3a, 75/38, 050031 Almaty, Republic of Kazakhstan	Participatory interests	100
Nostrum Services N.V.	Chaussee de Wavre 20, 1360 Perwez, Belgium	Ordinary shares	100
Positiv Invest LLP	Dostyk 310/15, Almaty, Republic of Kazakhstan	Participatory interests	80
Zhaikmunai LLP	43/1 Karev street, 090000 Uralsk, Republic of Kazakhstan	Participatory interests	100

The Company and its wholly-owned subsidiaries are hereinafter referred to as "the Group".

On 14 October 2022, a new company Nostrum Oil & Gas Holding Limited was incorporated with a registered address of 20 Eastbourne Terrace, London, W2 6LG, UK. The entity is a wholly owned subsidiary of the Parent.

On 12 December 2023, Nostrum Oil & Gas UK Limited was dissolved.

Group debt restructuring

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

On 23 December 2021, the Group entered into a lock-up agreement (the "First LUA") and agreed terms of a restructuring with noteholders. The below outlines the key terms of the restructuring as agreed between the Group, acceded noteholders and ICU in the LUAs and also voted in favour of by Nostrum shareholders:

Partial reinstatement of debt:

- In the form of US$250 million Senior Secured Notes (SSNs) maturing on 30 June 2026 and bearing interest at a rate of 5.00% per year payable in cash. The SSNs are not convertible;
- In the form of US$300 million Senior Unsecured Notes (SUNs) maturing on 30 June 2026 and bearing interest at a rate of 1.00% per year payable in cash and 13.00% per year payable in kind. If not repaid in cash at maturity, the SUNs are repayable in specie through the issuance of equity in the Company based on the value of the SUNs outstanding on the issuance date as a percentage of the fair market value of the Company (up to a maximum of 99.99% of the Company's fully diluted equity);

Conversion to equity:

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

New corporate governance arrangements:

- in respect of the Group and certain arrangements regarding future utilization of the Group's cashflows. This includes a cash sweep mechanism requiring that cash above US$30 million is swept into a debt service retention account (to fund the next two cash interest payments due) and a restricted cash account which the Company can access with approval of the majority of Independent Non-Executive Directors of the Company; and
- Transfer the Company's listing to the Standard Listing segment of the London Stock Exchange.

Restructuring completion

On 9 February 2023, the Restructuring was implemented on the key terms as agreed under Lockup Agreement, and pursuant to the terms of the Scheme sanctioned by the Court on 26 August 2022. This led to the sub-division and consolidation of the Company's share capital, which resulted in a reduction of shares from approximately 1,693.8 million to 169.4 million following a 10:1 consolidation. By 10 February 2023, 150,563,304 new shares were listed on the London Stock Exchange (ticker symbol NOG.L), and by 13 February, also on the Astana International Exchange. The new notes and warrants were listed on The International Stock Exchange from 9 February 2023, while no new securities were listed on Euronext Dublin. On 14 March 2023, the Company's ordinary shares were delisted from the official list of the Kazakhstan Stock Exchange (KASE).

2. Basis of preparation

Basis of preparation

The Company financial statements for the year ended 31 December 2023 have been prepared on a going concern basis and in accordance with UK Adopted International Accounting Standards and the Companies Act 2006 in so far as it is applicable when reporting under UK adopted IAS.

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

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

Notes to the parent company financial statements continued

Going concern

These financial statements have been prepared on a going concern basis. The Company is dependent on liquidity generated by its subsidiaries to continue in operation and its ability to meet its liabilities as they become due for the foreseeable future, a period of not less than 12 months from the date of these financial statements.

Respectively, the Group level going concern matters and analysis are considered directly relevant for the Company (please refer to page 46 of the Annual Report for more details). The directors are satisfied that the Group will have sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of these financial statements. In addition, the Group has controls in place over allocation of resources among parent and subsidiaries.

Taking into account the abovementioned considerations the directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing these parent company financial statements.

3. Changes in accounting policies and disclosures

New standards, interpretations and amendments adopted by the Company

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Company's financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.
The amendments had no impact on the Company's financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.
The amendments have had no impact on the Company's disclosures of accounting policies, the measurement, recognition or presentation of any items in the Group's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.
The amendments had no impact on the Company's financial statements.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.
The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.
The amendments are not expected to have a material impact on the Company's financial statements.

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

In January 2020 and October 2022, 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.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.
The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.
The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

4. Summary of material accounting policies

Foreign currency translation

The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which the entity primarily generates and expends cash.

The functional currency of the Company is the United States dollar (the "US dollar" or "US$").

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences are taken to the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Investments

Investments in subsidiaries are recorded at cost. Subsequently, the Company determines whether it is necessary to recognise an impairment loss on its investment in a subsidiary. At each reporting date, the Company determines whether there is objective evidence that the investment in the subsidiary is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value, and then recognises the impairment loss in the statement of profit or loss.

Significant estimates and assumptions: impairment of investments in subsidiaries

Determination as to whether, and by how much, the investment in a subsidiary is impaired involves management's best estimates on highly uncertain matters such as future revenues of the subsidiary, operating expenses, discount rate, as well as fiscal regimes.

Since 2019, the Company have been recording impairment for the full amount of the investments in Nostrum Oil & Gas Coöperatief U.A. and Nostrum Oil & Gas B.V. (Note 5), which has been recognised in view of the decrease in the net assets of these subsidiaries, and the reduction of the 2P reserves expected to be recovered from the main operating subsidiary of the Company over the period of 2020-2032, with the relevant decrease in the expected future net cash proceeds of Nostrum Oil & Gas Coöperatief U.A.

As at 31 December 2023, impairment for the full amount of investments in Nostrum Oil & Gas Coöperatief U.A. and Nostrum Oil & Gas B.V. remained appropriate taking into account no significant changes in the assessments of recoverability of these investments.

Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include cash and receivables from related parties.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Notes to the parent company financial statements continued

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Financial liabilities

Initial recognition, measurement and derecognition

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, long-term borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of long-term borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade payables, payables related parties and financial guarantee liabilities.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:
Financial liabilities at fair value through profit or loss
Financial liabilities at amortised cost (loans and borrowings)

Derecognition

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

Financial guarantees

Financial guarantee is initially recognised in the financial statements at fair value at the time the guarantee is issued. The Company estimates the fair value of the financial guarantee contract as the difference between the net present value of the contractual cashflows required under a debt instrument, and the net present value of the net contractual cashflows that would have been required without the guarantee. The present value is calculated using a risk-free interest rate.

Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit and loss, and the amount of expected credit losses (ECL). Financial guarantee ECL reflect the cash shortfalls adjusted by the risks that are specific to the cashflows. If the ECL exceeds the initially recognised guarantee amount less cumulative amortisation the difference is taken to profit and loss.

A financial guarantee liability is derecognised when the liability underlying the guarantee is discharged or cancelled or expires, or if the guarantee is withdrawn or cancelled. The carrying amount of the financial guarantee is taken to the statement of profit or loss.

Share-based payments

The cost of cash-settled equity-based employee compensation is measured initially at fair value at the grant date. This fair value is expensed over the period until vesting with the recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in the statement of comprehensive income.

The cost of equity-settled transactions is measured at fair value at the grant date. This fair value is expensed over the period until vesting with the recognition of a corresponding equity element, which is not remeasured subsequently until the settlement date.

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and distribution yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 13.

5. Investments in subsidiaries

As at 31 December 2023 and 31 December 2022 Investments of the Company comprised the following:

In thousands of US Dollars	**31 December 2023**	31 December 2022
Nostrum Oil & Gas Holding Limited	**1,111,031**	–
Nostrum Oil & Gas Coöperatief U.A.	**–**	116,399
Nostrum Oil & Gas BV	**–**	222
Impairment of investments	**(1,111,031)**	(116,621)
	–	–

In May 2023, the Company performed a corporate reorganisation, namely, in return for the transfer and assignment by the Company of its membership and associated rights in Nostrum Oil & Gas Coöperatief U.A. and Nostrum Oil & Gas B.V., Nostrum Oil & Gas Holding Limited issued 100 new ordinary shares, which were allotted and issued to the Company. As a result of this reorganising the Company reallocated the cost of its investments in Nostrum Oil & Gas Coöperatief U.A. and Nostrum Oil & Gas BV for the total amount of US$106,741 thousand (excluding initial guarantee value of US$9,881 thousand) to investments to Nostrum Oil & Gas Holding Limited.

In addition, the investments in Nostrum Oil & Gas Holding Limited include the US$810,473 thousand recognised as an equivalent of the Old Notes of Nostrum Oil & Gas Finance B.V., which were exchanged for the shares issued by the Company during the Restructuring process. Also, the Company acts as a guarantor under the Group's SSNs and SUNs, which are issued in favour of the Company's indirect subsidiaries, hence related costs in the amount of US$193,817 thousand at initial recognition are capitalised into the investments in subsidiaries. As a result of the impairment testing performed at 31 December 2023 the Company recognised an impairment charge of US$1,004,290 thousand for the full amount of these investments in the subsidiary.

As at 31 December 2022, Nostrum Oil & Gas Cooperatief U.A. include the guarantees initial cost in the amount of US$9,881 thousand as described in the Note 9 as well as US$518 thousand capitalized costs under the "Long-term Incentive Plan 2017.

As a result of the impairment testing performed at 31 December 2019 the Company recognised an impairment charge of US$117,361 thousand for the full amount of its investments in subsidiaries. For more details, please refer to Note 4.

6. Receivables from related parties

Receivables from related parties are comprised of the following as at 31 December 2023 and 31 December 2022:

In thousands of US Dollars	**31 December 2023**	31 December 2022
Receivables from Nostrum Oil & Gas Benefit Trust	**23,812**	23,812
Receivables from Nostrum Oil & Gas Coöperatief U.A.	**1,853**	836
	25,665	24,648
Less: bad debt allowance	**(23,758)**	(23,693)
	1,907	955

Receivables from the Nostrum Oil & Gas Benefit Trust ("the Trust") represent the loan provided to support the Company's obligations to employees under the Employee Share Option Plan ("ESOP") and the Long-Term Incentive Plan 2017 ("LTIP") (Note 13). The loan is interest free and unsecured. The loan is repayable in the case of an advance used to acquire securities to satisfy the exercise of options granted pursuant to the rules of ESOP, and unless otherwise agreed in writing between the parties, the earlier of 1) ten years from the Date of Grant, or 2) 30 days after the exercise date, and in all other cases any other date agreed in writing between the parties.

Considering the fact that the loan is repayable to the extent of the assets of the Trust, which are reflected in treasury shares held by the Trust, the Company has recognised a bad debt allowance as at 31 December 2023 in the amount of US$65 thousand (2022: US$23,541 thousand), representing the difference between the book value of the loan and the recoverable value of the treasury shares as of 31 December 2023.

7. Cash and Cash Equivalents

As at 31 December 2023 and 31 December 2022 cash and cash equivalents comprised US$160 thousand at the current accounts in Pound Sterling.

8. Shareholders' equity

As at 31 December 2023 the ordinary share capital of the Company consists of 169,381,561 issued and fully paid ordinary shares, which are listed on the London Stock Exchange. The ordinary shares have a nominal value of GB£ 0.01. The table below represents movements in the number of ordinary shares during the year ended 31 December 2023. The movements in the number of shares during the year ended 31 December 2023 and 31 December 2022 was as follows:

Number of shares	**In circulation**	**Treasury capital**	**TOTAL**
As at 31 December 2022	**185,234,079**	**2,948,879**	**188,182,958**
Shares issued	1,505,633,046	–	1,505,633,046
Share consolidation	(1,521,780,413)	(2,653,991)	(1,524,434,404)
As at 31 December 2023	**169,086,712**	**294,888**	**169,381,600**

As part of the Restructuring, on 9 February 2023 the Company issued 1,505,633,046 new shares in connection with the repayment of the remaining face value of the Existing Notes following the issue of the New Notes (see Note 14 below), together with accrued but unpaid interest (the "Debt for Equity Swap"). Given the number of new shares issued, at the close of business on 9 February 2023 the Company also performed a share consolidation, so as to achieve an appropriate share price following closing of the Restructuring (Note 1). As a result, the number of ordinary shares in issue was reduced from 1,693,816,004 (following the issue of the new shares) to 169,381,600 ordinary shares, on the basis of a 10:1 consolidation (the "Share Consolidation"). In order to give effect to the Share Consolidation, the Company initially reduced the nominal value of the ordinary shares (the "Sub-Division") after the issue of the new shares, through sub-division of each ordinary share at a ratio of 1:10 into one ordinary share of nominal value of £0.001 each together with nine deferred shares of nominal value £0.001 each (the "Deferred Shares"). The Deferred Shares (in practice) have no economic or voting rights in the capital of the Company and it is expected that they will be cancelled following the implementation of the Restructuring. The nominal value of the ordinary shares following the Share Consolidation was £0.01 each. Fractions of new ordinary shares were not issued in connection with the Share Consolidation and any fractional entitlements were rounded down to the nearest whole ordinary share.

Treasury shares

Treasury shares were issued to support the Group's obligations to employees under the Employee Share Option Plan ("ESOP") and the Long-Term Incentive Plan ("LTIP") and are held by Intertrust Employee Benefit Trustee Limited as trustee for the Nostrum Oil & Gas Benefit Trust. In the case of the ESOP, upon request from employees to exercise options, the trustee would sell shares on the market and settle respective obligations under the ESOP. In the case of share-settled LTIP awards, the trustee would transfer shares to the relevant LTIP award holder (although no LTIP awards are currently exercisable). The Nostrum Oil & Gas Benefit Trust constitutes a special purpose entity under IFRS and therefore, the shares held in the trust are recorded as treasury capital of the Company.

Group reorganisation reserve in the amount of US$255,459 thousand represents the difference between the partnership capital, treasury capital and additional paid-in capital of Nostrum Oil & Gas LP and the share capital of Nostrum Oil & Gas PLC, that arose during the reorganisation of the Group in 2014. Share-option reserves include amounts related to sale of treasury shares under ESOP as well as share-based payments under LTIP.

Nostrum Oil & Gas PLC became the new holding company for the business of Nostrum Oil & Gas LP based on the resolution passed by its limited partners on 17 June 2014 followed by the Company reorganisation referred to in that resolution.

Notes to the parent company financial statements continued

9. Financial guarantees

Financial guarantees are comprised of the following as at 31 December 2023 and 31 December 2022:

In thousands of US Dollars	**2023**	2022
Financial guarantee as at 1 January	**900,684**	809,812
Financial guarantee (loss)/income	**(706,867)**	90,872
Financial guarantee as at 31 December	**193,817**	900,684

The Company acted as a guarantor under the Group's SSNs and SUNs (31 December 2023: US$725 million 8.0% Senior Notes and US$400 million 7.0% Senior Notes due February 2025). Since the guarantees are issued in favour of the Company's indirect subsidiaries, related costs at initial recognition are capitalised into the investments in subsidiaries (Note 5).

As at 31 December 2023 the Company performed an assessment of the value of the guarantees issued under SSNs and SUNs (31 December 2022: the 2022 and 2025 Notes), taking into account the Group's financial position as at 31 December in both years and the fact that the Company is the parent entity in the Group and so would ultimately assume the guarantee obligations of its subsidiaries in the event of their inability to meet such obligations. As a result, the Company has recognised the guarantee liabilities for the total amount of US$ 193.817 thousand as at 31 December 2023 (2022: US$886,513 thousand), representing the amount of expected credit losses as of the reporting date. Further details on the Notes are provided below.

Senior Secured Notes and Senior Unsecured Notes

On 8 February 2023, the Group completed restructuring of the Group's US$725 million 8.0% Senior Notes due July 2022 and its US$400 million 7.0% Senior Notes due February 2025. Through the partial reinstatement of debt of US$250 million Senior Secured Notes (SSNs) and US$300 million Senior Unsecured Notes (SUNs).

The SSNs and SUNs are jointly and severally guaranteed (the "2023 Guarantees") on a senior basis by Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A., Zhaikmunai LLP and Nostrum Oil & Gas B.V. (the "2023 Guarantors"). SUNs and SSNs Issuer's and the 2023 Guarantors' senior obligations and rank equally with all of the 2023 Issuer's and the 2023 Guarantors' other senior indebtedness.

2022 Notes

On 25 July 2017, a newly incorporated entity, Nostrum Oil & Gas Finance B.V. (the "2022 Issuer") issued US$ 725,000 thousand notes (the "2022 Notes"). The 2022 Notes bear interest at a rate of 8.00% per year, payable on 25 January and 25 July of each year, maturing in 2022.

The 2022 Notes are jointly and severally guaranteed (the "2022 Guarantees") on a senior basis by Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A., Zhaikmunai LLP and Nostrum Oil & Gas B.V. (the "2022 Guarantors"). The 2022 Notes are the 2022 Issuer's and the 2022 Guarantors' senior obligations and rank equally with all of the 2022 Issuer's and the 2022 Guarantors' other senior indebtedness.

2025 Notes

On 16 February 2018, Nostrum Oil & Gas Finance B.V. (the "2025 Issuer") issued US$ 400,000 thousand notes (the "2025 Notes"). The 2025 Notes bear interest at a rate of 7.00% per year, payable on 16 February and 16 August of each year, maturing in 2025.

The 2025 Notes are jointly and severally guaranteed (the "2025 Guarantees") on a senior basis by Nostrum Oil & Gas PLC, Nostrum Oil & Gas Coöperatief U.A., Zhaikmunai LLP and Nostrum Oil & Gas B.V. (the "2025 Guarantors"). The 2025 Notes are the 2025 Issuer's and the 2025 Guarantors' senior obligations and rank equally with all of the 2025 Issuer's and the 2025 Guarantors' other senior indebtedness.

10. Payables to related parties

Payables to related parties are comprised of the following as at 31 December 2023 and 31 December 2022:

In thousands of US Dollars	**31 December 2023**	31 December 2022
Payables to Nostrum Oil & Gas Coöperatief U.A.	**54**	119
Interest payable Nostrum Oil & Gas Finance B.V.	**204**	204
	258	323

As at 31 December 2023 amounts payable to Nostrum Oil & Gas Coöperatief U.A. represent the arrangements in respect of the Nostrum employee benefit trust. For more details, please refer to Note 6. Based on the service agreement, the amounts payable to Nostrum Oil & Gas Coöperatief U.A. in respect to the employee benefit trust, are only repayable to the extent of amounts received (or recovered) from the Trust. Considering the fact that the loan is repayable to the extent of the assets of the Trust, which are reflected in treasury shares held by the Trust, the Company has remeasured and reduced the loan payable as at 31 December 2023 by US$65 thousand (2022: US$153 thousand), representing the difference between the book value of the loan and the recoverable value of the treasury shares as of 31 December 2023.

As at 31 December 2023 and 2022 amounts payable to Nostrum Oil & Gas Finance B.V. represent interest accrued in the amount US$204 thousand on the loan from Nostrum Oil & Gas Finance B.V. The loan on which the above interest amounts were calculated was settled against the receivables due from Nostrum Oil & Gas Coöperatief U.A. in the amount of $3,000 thousand in 2019.

11. Auditors' remuneration

For the year ended 31 December 2023 the fees for the audit of the Company amount to US$10 thousand (2022: US$10 thousand).

12. Employee's remuneration

The average monthly number of employees employed was as follows:

	For the year ended 31 December	
In thousands of US Dollars	**2023**	2022
Executive Directors	**1**	1
Administrative personnel	**3**	3
	4	4

Their aggregate remuneration comprised:

	For the year ended 31 December	
In thousands of US Dollars	**2023**	2022
Wages and salaries	**642**	691
Social security costs	**172**	125
Other benefits	**19**	19
	833	835

The directors of the Company are also directors of the Group. The aggregate amount of remuneration paid to or receivable by executive directors in respect of qualifying services for the financial year ended 31 December 2023 was US$1,138 thousand (2022: US$ US$1,960 thousand) and also includes remuneration paid by other companies of the Group. In addition, US$939 thousand (2022: US$359 thousand) was paid by the Company to the non-executive directors. The directors do not believe that it is practicable to apportion these amounts between their services as directors of the Company and their services as directors of the Group.

For the year ended 31 December 2023 the Company employed an average of 5 non-executive directors (2022: 2 non-executive directors).

Full details of individual directors' remuneration are given in the directors' remuneration report on pages 101-115 of the annual report.

13. Long-term incentive plan

2017 Long-term incentive plan

In 2017 the Company started operating a Long-term incentive plan ("the LTIP"), that was approved by the shareholders of the Company on 26 June 2017 and adopted by the board of directors of the Company on 24 August 2017. The LTIP is a discretionary benefit offered by the Company for the benefit of selected employees. Its main purpose is to increase the interest of the employees in the Company's long-term business goals and performance through share ownership. The LTIP is an incentive for the employees' future performance and commitment to the goals of the Company. The remuneration committee of the board of the Company has the right to decide, in its sole discretion, whether or not further awards will be granted in the future and to which employees those awards will be granted.

Employees (including senior executives and executive directors) of members of the Group or their associates may receive an award, which is a "nominal cost option" over a specified number of ordinary shares in the capital of the Company. The option has an exercise price of 1p per share (but the Company has the discretion to waive this prior to exercise). In addition, under the Rules of the LTIP the Company has discretion to settle awards other than by transfer of shares such as by way of cash settlement. Generally, the awards are classified as equity-settled transactions. The share options are treated as equity-settled since there are no legal limitations expected on issue of shares for these upon vesting, the Company has a choice of settlement and the intention is to settle them in equity. However, in certain jurisdictions due to regulatory requirements the Company may not be able to settle the awards other than by transfer of cash, in which case the awards are classified as cash-settled transactions, and accounted for similar to SARs.

The award ordinarily vests and becomes exercisable as from later of the third anniversary of grant or two years after the date on which the Company determines whether the performance condition has been satisfied, subject to employee's continued service and to the extent to which the performance condition is satisfied, until the end of the contractual life. The contractual life of the share options is ten years.

The cost of cash-settled equity-based employee compensation is measured initially at fair value at the grant date using a trinomial lattice valuation model. This fair value is expensed over the period until vesting with the recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in the statement of comprehensive income.

The cost of equity-settled transactions is measured at fair value at the grant date using a trinomial lattice valuation model. This fair value is expensed over the period until vesting with the recognition of a corresponding equity element of "shares to be issued under LTIP", which is not remeasured subsequently until the settlement date.

The following table summarises the movement in the number of outstanding share options capable of vesting during the years ended 31 December 2023 and 31 December 2022:

	Equity-settled awards	Cash-settled awards	TOTAL awards
As at 31 December 2021	**156,039**	**–**	**156,039**
Share options forfeited	(8,696)	–	(8,696)
As at 31 December 2022	**147,343**	**–**	**147,343**
Share options forfeited	(7,503)	–	(7,503)
As at 31 December 2023	**139,840**	**–**	**139,840**

In 2017 the Company granted 1,208,843 share options, of which 308,850 share options remained outstanding as at 31 December 2023 (2022: 325,423 share options). The weighted average remaining contractual life of share options outstanding as at 31 December 2023 was 4 years (2022: 5 years). On 23 March 2018 the remuneration committee of the board of the Company determined the level of performance conditions that were met for the performance conditions set upon issue of the share options granted in 2017. After adjusting for the non-achievement of performance conditions, 139,840 share options are capable of vesting as of 31 December 2023 (2022: 147,343 share options) and all of these share options were vested, in accordance with the management's best estimate, and exercisable as of 31 December 2023.

On 28 November 2018 the Company granted a further 1,163,040 share options, however due to the performance conditions not being met none of these share options are capable of vesting.

The fair value of the equity-settled share options at the valuation dates of 28 November 2018 and 23 March 2018 amounted to US$1.25 and US$2.76 per share option, respectively. Based on these estimations, during the year ended 31 December 2023 the Company recognised a reduction in the investments in subsidiaries in the amounts of US$25 thousand (2022: US$38 thousand).

Share options

The Hull-White trinomial lattice valuation model was used to value the share options. The following table lists the inputs to the model used for valuation of the share options at the grant date:

	10 October 2017	11 December 2017
Price at the issue date (US$)	1.25	2.76
Distribution yield (%)	0%	0%
Expected volatility (%)	43.4%	40.4%
Risk-free interest rate (%)	1.38%	1.45%
Expected life (years)	10	10
Option turnover (%)	10%	10%
Price trigger	2.0	2.0

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Option turnover rate represents the rate of employees expected to leave the Company during the vesting period, which is based on historical data and may not necessarily be the actual outcome. The model considers that when share price reaches the level of exercise price multiplied by the price trigger the employees are expected to exercise their options.

14. Related party transactions

Related parties of the Company include its direct and indirect subsidiaries, key management personnel and other entities that are under the control or significant influence of the key management personnel.

Accounts receivable from related parties represented by Company's subsidiaries as at 31 December 2023 and 31 December 2022 consisted of the following:

In thousands of US Dollars	31 December 2023	31 December 2022
Receivables from Nostrum Oil & Gas Benefit Trust	**23,812**	23,812
Receivables from Nostrum Oil & Gas Coöperatief U.A.	**1,853**	836
	25,665	24,648
Less: bad debt allowance	**(23,758)**	(23,693)
	1,907	955

Accounts payable to related parties represented by Company's subsidiaries as at 31 December 2023 and 31 December 2022 consisted of the following:

In thousands of US Dollars	31 December 2023	31 December 2022
Payables to Nostrum Oil & Gas Coöperatief U.A.	**54**	119
Interest payable Nostrum Oil & Gas Finance B.V.	**204**	204
	258	323

Financial guarantees are comprised of the following as at 31 December 2023 and 31 December 2022:

In thousands of US Dollars	2023	2022
Financial guarantee as at 1 January	**900,684**	809,812
Financial guarantee (loss)/income	**(706,867)**	90,872
Financial guarantee as at 31 December	**193,817**	900,684

Notes to the parent company financial statements continued

During the years ended 31 December 2023 and 2022 the Company had the following transactions with related parties represented by Company's subsidiaries:

	For the year ended 31 December	
In thousands of US Dollars	**2023**	2022
Income from provision of services		
Nostrum Oil & Gas Coöperatief U.A.	**5,300**	5,516
Gain/(loss) from financial guarantee		
Nostrum Oil & Gas Finance B.V. (Note 9)	**706,867**	78,340

15. Financial risk management objectives and policies

The Company's financial assets consist of receivables from shareholders and cash and cash equivalents. The Company's financial liabilities consist of payables to related parties, trade and other payables and accrued liabilities.

The main risks arising from the Company's financial instruments are foreign exchange risk and credit risk. The Company's management reviews and agrees policies for managing each of these risks, which are summarized below.

Climate change

Management has considered how the Company's identified climate risks and climate related goals (as discussed in Climate Change and GHG Emissions in the Group's 2022 Annual Report) may impact the estimation of the recoverable value of cash-generating unit tested for impairment and therefore of the finance guarantee provision. The anticipated extent and nature of the future impact of climate on the Group's operations and future investment depends on the development of new technologies and production processes employed and the level of emissions, energy efficiency and use of renewable energy. The sensitivity of the Group's impairment assessment to these factors is also impacted by the extent that estimated recoverable value exceeds the carrying value of an individual cash-generating unit – where this is lower there is an increased risk of a future impact. The Group is in the process of identifying a range of actions and initiatives to progress towards the Group's goals, including reduction of greenhouse gas emissions, wastewater discharges and increase of waste utilisation. In certain cases, the costs of such actions have been quantified and are included in the Group's forecasts which are used to estimate recoverable value for the Group's cash-generating unit. Other actions and initiatives continue to be explored by the Group but are not sufficiently certain to be reflected in the Group's forecasts of estimated recoverable value.

Foreign currency risk

Most of the Company's operation is denominated in USD, therefore the Company's statement of financial position is not significantly affected by exchange rate movements.

Interest rate risk

The Company is not exposed to interest rate risk in 2022 and 2021 as the Company had no financial instruments with floating rates as at years ended 31 December 2023 and 2022.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. The Company is part of the Group's monitoring process of its risk to a shortage of funds using a liquidity planning tool. The tool allows selecting severe stress test scenarios. To ensure an adequate level of liquidity a minimum cash balance has been defined as a cushion of liquid assets. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of notes, export financing and leases, and adequately allocating funding among various entities in the Group.

Following successful restructuring of the 2025 Notes and 2022 Notes, the Directors confirm that they have a reasonable expectation that the Company and the Group will continue in operation as they fall due through the three-year viability assessment period ending 30 June 2027. For more information on analysis of the Group's ability to meet its liabilities on repayment of the Notes please see "Viability statement" section on the Annual report on pages 39-40.

Credit risk

Financial instruments, which potentially subject the Company to credit risk, consist primarily of receivables and cash in banks. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The Company considers that its maximum exposure is reflected by the amount of receivables from shareholders and cash and cash equivalents.

The Company places its US Dollar, British Pound and Euro denominated cash with Citibank which has a credit rating of Aa3 (stable) from Moody's rating agency at 31 December 2023.

Receivables are amounts receivable from Group companies, thus risk of credit default is low, except for the loan receivable from the Trust for which loss allowance has been recognised.

In addition to the direct credit exposures outlined above, the Company has also acted as a guarantor under the Group's SSNs and SUNs. Since the guarantees are issued in favor of the Company's indirect subsidiaries, related costs at initial recognition are capitalised into the investments in subsidiaries. The guarantees could potentially expose the Company to significant financial strain in the event of the default of the SSNs and SUNs.

Fair values of financial instruments

The fair value of the financial assets represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The management assessed that its assets and liabilities approximate their carrying amounts largely due to their nature or the short-term maturities of these instruments.

Capital management

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise the shareholder value.

16. Events after the reporting

AIX delisting

On February 21, 2024 the Company announced the successful completion of the delisting process for its ordinary shares from the Official List of the Astana International Exchange.

Update on Stepnoy Leopard Fields

In Q1 2024, the well appraisal operations on Stepnoy Leopard Fields were nearly complete and significant data has been collected that included well flow rates, fluid contacts, and fluid and reservoir properties across a logged interval with c. 50-meter of net-pay. The flow-rate and pressure build-up tests confirmed high well productivity potential. The positive results obtained to date supported the commercial potential of the fields, hence in March 2024 the Company made a final investment decision ("FID") for the initial field development phase of the Stepnoy Leopard Fields with the forecast total capital budget for this initial field development phase of US$100 million gross. The Company plans to compile a Competent Person's Report (CPR) to reclassify specific resources into reserves.

Drilling programme

Following the approval of two-well drilling programme at the Chinarevskoye field in 2023, the first well (CHN-301) was spudded in December of 2023 with drilling in Q1 2024 to total depth of 4,980 meters on time and on budget, and awaiting completion operations with start-up expected mid-2024. It had multiple in-fill targets across the Carboniferous and Devonian age reservoirs. Hydrocarbons (oil, gas-condensate) have been encountered across three key intervals. The results are in line with our expectations of initial well rates of 400 to 700 boepd. Next, the drilling rig will be moved to well No.41, with expected spud in April and start-up in Q3 2024. This well is a sidetrack and carries a higher level of geologic risk as it is a step-out from the existing well control in the targeted Devonian reservoir. If successful, these wells will enable a cost-effective means of converting the field's 2P reserves to PDP whilst also complying with Zhaikmunai's PSA obligations.

Contact information

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Nostrum Oil & Gas BV
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Registered office and principal place of business:
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Directors:
Thomas Hartnett
Ulugbek Makhmadiyarov

Nostrum Oil & Gas Coöperatief UA
Activity: Holding Company
Registered office and principal place of business:
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Bloemendaal
The Netherlands

Directors:
Ulugbek Makhmadiyarov
Thomas Hartnett

Nostrum Oil & Gas Finance BV
Activity: Finance Company
Registered office and principal place of business:
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Bloemendaal
The Netherlands

Directors:
Ulugbek Makhmadiyarov
Thomas Hartnett

Nostrum Services NV
Activity: Service company
Registered office and principal place of business:
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1360 Perwez
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Directors:
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Ulugbek Makhmadiyarov

Nostrum Associated Investments LLP
Activity: Dormant
Registered office and principal place of business:
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General Director:
Malika Saudasheva

Nostrum Services Central Asia LLP
Activity: Service company
Registered office and principal place of business:
Building 75/38
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050031 Almaty
Republic of Kazakhstan

General Director:
Michael Wagner

Nostrum Oil & Gas Holding Limited
Activity: Holding company
Registered office and principal place of business:
20 Eastbourne Terrace
London W2 6LG
United Kingdom

Directors:
Ulugbek Makhmadiyarov
Thomas Hartnett

Positiv Invest LLP
Activity: Operating company
Registered office and principal place of business:
Dostyk str., 310/15
Almaty, Republic of Kazakhstan

General Director:
Damir Bastaubayev

Website and electronic communications details

Nostrum's website provides information on the activities of the Company, both regulatory and other, as well as the opportunity to sign up to our mailing list to ensure stakeholders are kept up to date with the most recent information. Please see **www.nog.co.uk** for more information.

In addition, to reduce our impact on the environment, we encourage all shareholders to opt for electronic shareholder communications, including annual reports and notices of meetings.

Share price information

Exchange	London Stock Exchange
Ticker	NOG.LN
Reuters code	NOGN.L
ISIN code	GB00BQVVS097

Capitalisation-weighted index of FTSE 350 E&P.

Earnings per share (as at 31 December 2022): US$(0.14)/share

Book value per share (as at 31 December 2022): US$(4.44) negative per share

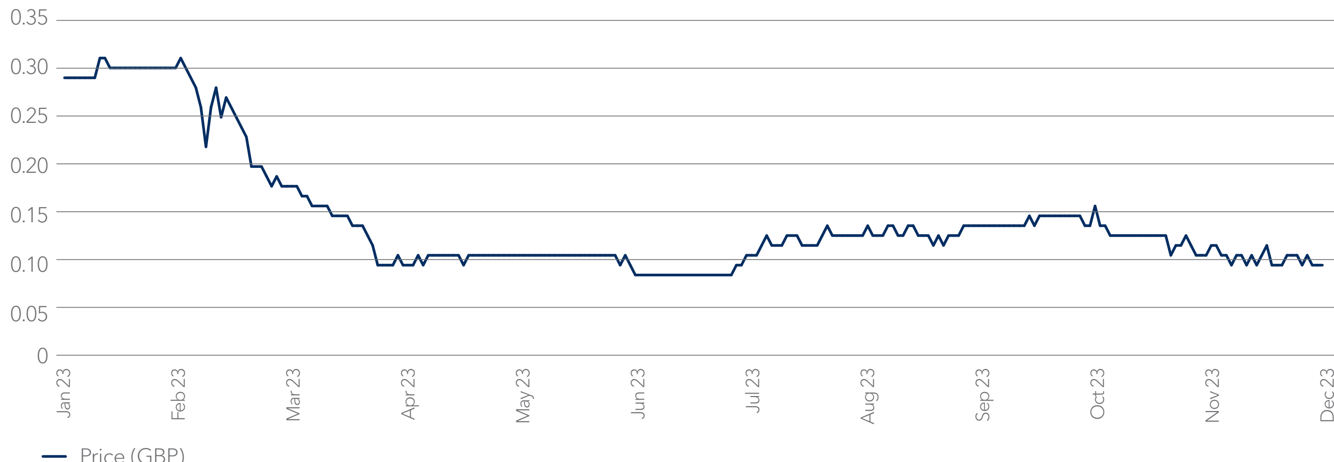
Financial calendar 2024

Q1 2024	Operational and Financial results	21 May 2024
H1 2024	Operational and Financial results	20 August 2024
Q3 2024	Operational and Financial results	19 November 2024

Share price performance

Equity financing

Equity raising	Timing	Amount	Lead manager
IPO	March 2008	US$100m	ING Bank NB
Secondary equity issue	September 2009	US$300m	ING Bank NV Mirabaud Securities Renaissance Securities



Debt financing

Previous bonds issued by Nostrum Oil & Gas Finance B.V., which were extinguished on 9 Febuary 2023 are detailed in the following table:

Settlement	Maturity	Currency	Amount (m)	Coupon	Listing		RegS	Rule 144A
Jul 2017	Jul 2022	US$	725	8.000%	Dublin	CUSIP	N64884AB0	66978CAB8
						ISIN	USN64884AB02	US66978CAB81
						Common Code	16453439	164534073
Feb 2018	Feb 2025	US$	400	7.000%	Dublin	CUSIP	N64884AD6	66978CAC6
						ISIN	USN64884AD67	US66978CAC64
						Common Code	176959886	176959878

For a summary of certain covenants relating to the 2017 and 2018 Notes, please see the consolidated financial statements.

Outstanding bond issues as at 9 February 2023 for Nostrum Oil & Gas PLC are detailed in the following table:

Title	Settlement	Maturity	Currency	Amount (m)	Coupon	PIK	Listing		RegS	Rule 144A
SSN	Feb 2023	Jun 2026	US$	250	5.000%	–	TISE	CUSIP	N64884AF1	66978CAF9
								ISIN	USN64884AF16	US66978CAF95
SUN	Feb 2023	Jun 2026	US$	300	1.000%	13.000%	TISE	CUSIP	N64884AE4	66978CAD4
								ISIN	USN64884AE41	US66978CAD48

Internally held bond financing of the Nostrum Group

Bond issues wholly owned by Nostrum Oil & Gas Finance BV are provided in the following table:

Settlement	Maturity	Currency	Amount (m)	Coupon	Listing		RegS	Rule 144A
Feb 2014	Jan 2033	US$	400	9.5%	Dublin/ Almaty	CUSIP	N64884AA2	66978CAA0
						ISIN	USN64884AA29	US66978CAA09
						Common Code	103302323	103302307
Nov 2012	Jun 2033	US$	560	9.5%	Dublin/ Almaty	CUSIP	N97716AA7	98953VAA0
						ISIN	USN97716AA72	US98953VAA08
						Common Code	085313177	085259776

Credit ratings

Nostrum Oil & Gas PLC is currently being rated by two credit rating agencies: Standard and Poor's and Moody's Investor Services:

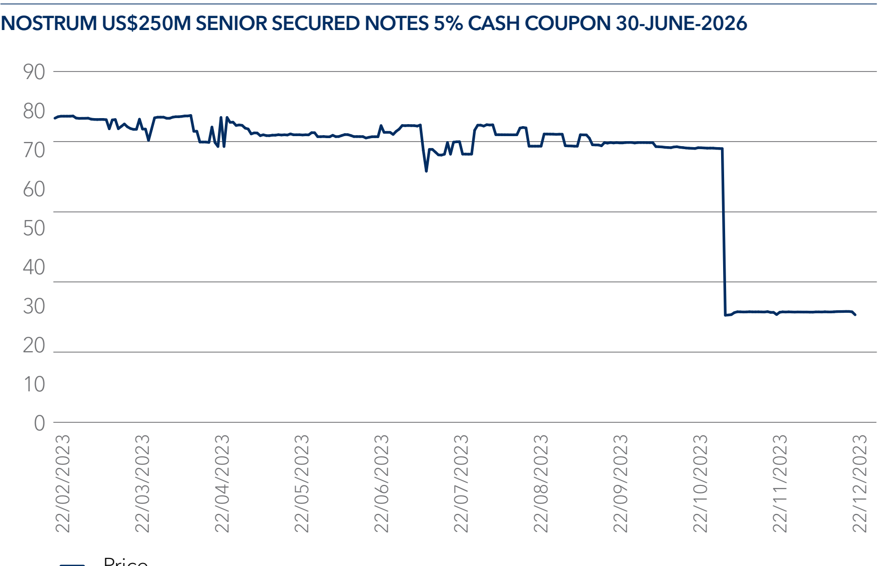
Agency	Rating	Outlook
Standard and Poor's	SD	NM
Moody's	Ca	Negative

Zhaikmunai LLP is a wholly-owned indirect subsidiary of Nostrum and its equity is not listed, while Nostrum's equity is listed on the standard segment of the London Stock Exchange.

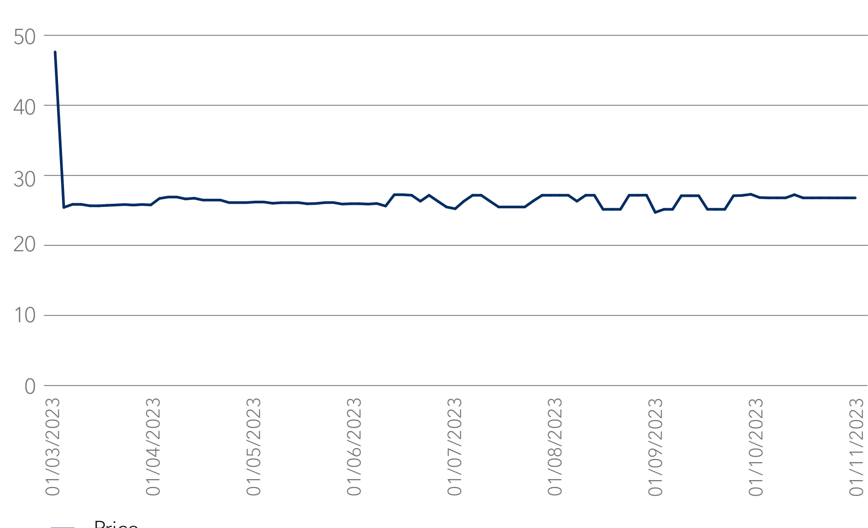
The Group's investor relations programme aims to develop open and transparent communication between the Group (including Zhaikmunai LLP) and its shareholders, providing information about the financial and operational performance of the Company. The Investor Relations department of the Group seeks to ensure all questions received from any of the Group's stakeholders are dealt with in a timely manner based on the underlying principle that the Group is approachable and responsive to any potential queries.

1. Yield to worst was not calculated following the default in payment of interest.

NOSTRUM US$250M SENIOR SECURED NOTES 5% CASH COUPON 30-JUNE-2026



NOSTRUM US$300M SENIOR UNSECURED NOTES 1% CASH COUPON, 13% PIK 30-JUNE-2026



Glossary

2010 Notes	10.500% notes issued in 2010.
2012 Notes	7.125% notes issued in 2012.
2014 Notes	6.375% notes issued in 2014.
2017 Notes	8.000% notes issued in 2017.
2018 Notes	7.000% notes issued in 2018.
A	
API	American Petroleum Institute.
API gravity	The industry standard method of expressing specific density of crude oil or other liquid hydrocarbons as recommended by the American Petroleum Institute. Higher API gravities mean lower specific gravity and lighter oils. When the API gravity is greater than 10, the product is lighter and floats on water; when it is less than 10, it is heavier than water and sinks. Generally speaking, oil with an API gravity between 40 and 45 commands the highest prices.
appraisal well	A well or wells drilled to follow up a discovery and evaluate its commercial potential.
associated gas	Gas which occurs in crude oil reservoirs in a gaseous state.
B	
barrel/bbl	The standard unit of volume: 1 barrel = 159 litres or 42 US gallons.
basin	A large area holding a thick accumulation of sedimentary rock.
bcm	Billion cubic metres.
Boe	Barrels of (crude) oil equivalent, i.e. the factor used by Nostrum to convert volumes of different hydrocarbon production to barrels of oil equivalent.
Boepd	Barrels of (crude) oil equivalent per day.
Bopd	Barrels of crude oil per day.
C	
C1	Methane.
C2	Ethane.
C3	Propane.
C4	Butane.
C5	Pentane.
C6	Hexane.
C7	Heptane.
CAC	A pipeline with two branches originating in Turkmenistan and meeting in Kazakhstan before crossing into Russia and connecting to the Russian pipeline system, with an annual throughput capacity of 60.2 billion cubic metres.
Cash	Cash and cash equivalents, including current and non-current investments.
Casing	Relatively thin-walled, large diameter steel rods that are screwed together to form a casing string, which is run into a core hole or well and cemented in place.
Caspian region	Parts of countries adjacent to the Caspian Sea.
CDP	CDP is an organisation based in the United Kingdom which supports companies in disclosing their environmental impact (formerly known as the Carbon Disclosure Project).
Chinarevskoye field	The Chinarevskoye oil and gas condensate field.
CO_2	Carbon dioxide.
commissioning	Process to assure a facility or plant, such as Nostrum's GTU 3, is tested to verify it functions according to technical objectives and specifications before use.
Competent Authority	The State's central executive agency, designated by the Government to act on behalf of the State to exercise rights relating to the execution and performance of subsoil use contracts, except for contracts for exploration and production of commonly occurring minerals. This is the Ministry of Energy of the Republic of Kazakhstan ("MOE") with respect to the oil and gas industry.
condensate	Hydrocarbons which are gaseous in a reservoir, but which condense to form a liquid as they rise to the surface where the pressure is much less.

contingent resources	Deposits that are estimated, on a given date, to be potentially recoverable from known accumulations but that are not currently considered commercially recoverable.
cost oil	Cost oil denotes an amount of crude oil produced in respect of which the market value is equal to Nostrum's monthly expenses that may be deducted pursuant to the PSA (q.v.) (including all operating costs, exploration costs and development costs up to an annual maximum of 90% of the annual gross realised value of hydrocarbon production).
crude oil	A mixture of liquid hydrocarbons of different molecular weights.

D

development	During development, engineering teams design the most efficient development options to build wells and associated infrastructure to produce hydrocarbons from a gas field within a proven productive reservoir (as defined by exploration and appraisal activities). The three phases of development are exploration and appraisal, development and production.
downstream	Downstream refers to all petroleum operations occurring after delivery of crude oil or gas to a refinery or fractionation plant.
Development Plans	The development plans approved by the SCFD in March 2009.
Directors or Board	The Directors of the Company.
dry gas	Dry gas is natural gas (methane and ethane) with no significant content of heavier hydrocarbons. It is gaseous at both sub-surface and surface conditions.

E

E&P	Exploration and production.
EBITDA	Profit before tax + non-recurring expenses + finance costs + foreign exchange loss /(gain) + employee share option adjustments + depreciation – interest income + other expenses / (income).
Environmental Code	The Kazakhstan Environment Code (No. 212, dated 9 January 2007, as amended).
Exploration Permit	The geological allotment (Annex to the Licence) issued by the Competent Authority to Zhaikmunai LLP.
exploration phase	The phase of operations which covers the search for oil or gas by carrying out detailed geological and geophysical surveys, followed up where appropriate by exploratory drilling.
exploration well	Well drilled purely for exploratory (information-gathering) purposes in a particular area.

F

farm-in	Transfer of a percentage of an oil or gas permit held by the farmor in return for (partial or complete) delivery of the work programme by the farmee(s). Note that this work would normally have had to have been delivered and paid for by the farmor.
farm-out	A contractual agreement with the holder of an oil and gas permit to assign all (or a percentage of) that interest to another party in exchange for delivering the work programme required by the permit, or fulfilling other contractually specified conditions.
FCA	Financial Conduct Authority of the United Kingdom.
FCA Uralsk	Sales made under free carrier terms according to which Nostrum delivers to the terminal in Uralsk and transportation risk and risk of loss are transferred to the buyer after delivery to the carrier.
field	An area consisting of a single reservoir or multiple reservoirs all grouped in or related to the same individual geological structure feature and/or stratigraphic condition.
FOB	Sales made under "free on board" terms.
FSU	Former Soviet Union.

G

G&A	General and administrative expenses.
gas	Petroleum that consists principally of light hydrocarbons. It can be divided into lean gas, primarily methane, but often containing some ethane and smaller quantities of heavier hydrocarbons (also called sales gas), and wet gas, primarily ethane, propane and butane, as well as smaller amounts of heavier hydrocarbons; partially liquid under atmospheric pressure.
gas condensate	The mixture of liquid hydrocarbons that results from condensation of petroleum hydrocarbons existing initially in a gaseous phase in an underground reservoir.
Gas Treatment Facility (GTF)	Facility for the treatment of associated gas and gas condensate resulting in different products (stabilised condensate, LPG and dry gas) for commercial sales. GTU 1 means the first unit of Nostrum's Gas Treatment Facility. GTU 2 means the second unit of Nostrum's Gas Treatment Facility. GTU 3 means the third unit of Nostrum's Gas Treatment Facility.
GDRs	The global depository receipts of Nostrum Oil & Gas LP.
greenhouse gas	A gas that contributes to the greenhouse effect by absorbing infrared radiation, e.g. carbon dioxide.
Group or Company or Nostrum	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.
IPIECA	International Petroleum Industry Environmental Conservation Association.

J

joint venture	A joint venture is a set of trading entities who have agreed to act in concert to share the cost and rewards of exploring for and producing oil or gas from a permit.
joule	Unit of energy used for measuring gas volumes. megajoules = 106 gigajoules = 109 terrajoules = 1012 petajoules = 1015

K

KASE	Kazakhstan Stock Exchange.
Kazakhstan	The Republic of Kazakhstan.
KazMunaiGas	State-owned oil and gas company of Kazakhstan.
KazMunaiGas Exploration Production ("KMG EP")	Onshore oil and gas exploration production subsidiary of KazMunaiGas.
KazTransOil (KTO) pipeline	A tie-in to the KTO pipeline enables crude oil export sales via the Atyrau-Samara international export pipeline.

L

Licence	Licence series MG No. 253-D (Oil) issued to Zhaikmunai LLP by the Government on 26 May 1997, including amendments.
Licensing Law	The Kazakhstan Law "On Licensing" (No. 214, dated 11 January 2007, as amended, which came into effect on 9 August 2007).
liquids	A sales product in liquid form produced as a result of further processing by the onshore plant; for example, condensate and LPG.
LNG	Liquefied natural gas. Comprises mainly methane.
Listing Rules	The listing rules made by the Financial Services Authority (FSA) under section 73A of the FSMA.
LSE	London Stock Exchange.
LPG	Liquefied petroleum gas, the name given to the mix of propane and butane in its liquid state.
LTIP	Long-term incentive plan.

M

m	Metre(s).
m^3	Cubic metres.
m^3/d	Cubic metres per day.
Man-hour	An hour regarded in terms of the amount of work that can be done by one person within this period.
Mboe	Thousands of barrels of oil equivalent.
Mechanical completion	Final construction or installation phase, after which a facility can undergo commissioning activities.
Mmbbls	Millions of barrels of oil.
Mmboe	Millions of barrels of oil equivalent.
Mmcf	Million cubic feet

N

NBK	National Bank of Kazakhstan.
NED	Non-Executive Director.
Nostrum	Nostrum Oil & Gas PLC, the listed company of the Group.
Nostrum Oil & Gas PLC	Registered Office: 9th Floor 20 Eastbourne Terrace London W2 6LG United Kingdom

O

OPEC	The Organisation of the Petroleum Exporting Countries.
operator	The individual or company responsible for conducting oil and gas exploration, development and production activities on an oil and gas lease or concession on its own behalf and/or if applicable, for other working interest owners, generally pursuant to the terms of a joint operating agreement or comparable agreement.

P

Partnership	Nostrum Oil & Gas LP, which was the holding company of the Group before the reorganisation.
PCR testing	Polymerase chain reaction testing, a test for COVID-19.
petroleum	Hydrocarbons, whether solid, liquid or gaseous. The proportion of different compounds in a petroleum find varies from discovery to discovery. If a reservoir primarily contains light hydrocarbons, it is described as a gas field. If heavier hydrocarbons predominate, it is called an oil field. An oil field may feature free gas above the oil and contain a quantity of light hydrocarbons, also called associated gas.
Possible Reserves (3P)	Possible Reserves are those reserves that, to a low degree of certainty (10% confidence), are recoverable. There is relatively high risk associated with these reserves. Proven, Probable and Possible Reserves are referred to as 3P.
Probable Reserves (2P)	Probable Reserves are those reserves that analysis of geological and engineering data suggests are more likely than not to be recoverable. There is at least a 50% probability that reserves recovered will exceed Probable Reserves. Proven plus Probable Reserves are referred to as 2P.
processing	Processing of saleable product from hydrocarbons sourced from oil wells and gas wells.
Production Permit	The mining allotment (Annex to the Licence), issued by the Competent Authority to Zhaikmunai LLP.
production well	A well that has been drilled for producing oil or gas, or one that is capable of production once the producing structure and characteristics are determined.
Profit oil	Profit oil is the difference between cost oil and the total amount of crude oil produced each month, which is shared between the State and Zhaikmunai LLP.
Prospective resources	Quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations.
Proven Reserves (1P)	Proven or Proved Reserves (1P) are those reserves that, to a high degree of certainty (90% confidence), are recoverable. There is relatively little risk associated with these reserves. Proven Developed Reserves are reserves that can be recovered from existing wells with existing infrastructure and operating methods. Proven Undeveloped Reserves require development.
PRMS	2007 Petroleum Resources Management System, which is a set of definitions and guidelines designed to provide a common reference for the international petroleum industry, sponsored by the Society for Petroleum Engineers, the American Association of Petroleum Geologists, the World Petroleum Council and the Society for Petroleum Evaluation Engineers.
Production Sharing Agreement (PSA)	The contract for additional exploration, production and production sharing of crude oil hydrocarbons in the Chinarevskoye oil and gas condensate field in the West-Kazakhstan oblast No. 81, dated October 31 1997, as amended, between Zhaikmunai LLP and the Competent Authority (currently MOE), representing the State.
PSA Law	Kazakhstan Law No. 68-III "On Production Sharing Agreements for Constructing Offshore Petroleum Operations", dated 8 July 2005.

Q

QHSE	Quality, Health, Safety and the Environment.

R

recovery	The second stage of hydrocarbon production during which an external fluid such as water or gas is injected into the reservoir to maintain reservoir pressure and displace hydrocarbons towards the wellbore.
Reservoir	A porous and permeable underground formation containing a natural accumulation of producible oil and/or gas that is confined by impermeable rock or water barriers, and is individual and separate from other reservoirs.

RoK	Republic of Kazakhstan.
Royalty	An interest in an oil and gas property entitling the owner to a share of oil or gas production free of costs of production.
Ryder Scott	Independent petroleum consultants Ryder Scott Company LP, headquartered at 621 Seventeenth Street, Suite 1550, Denver, Colorado, 80293, USA.

S

sales gas	Natural gas that has been processed by gas plant facilities and meets the required specifications under gas sales agreements.
seismic	The use of shock waves generated by controlled explosions of dynamite or other means to ascertain the nature and contours of underground geological structures.
shut in	Cease production from a well.
side-track well	A well or borehole that runs partly to one side of the original line of drilling.
social infrastructure	Assets that accommodate social services, e.g. hospitals, schools, community housing etc.
spud	The commencement of drilling operations.
stakeholder	A person or entity who may affect, be affected by or perceive themselves to be affected by an entity's decisions or activities.
State	Republic of Kazakhstan.
State share	The share of hydrocarbon production due (in cash or kind) to the Republic of Kazakhstan under the PSA (q.v.).
Suspended well	A suspended well is not currently used for assessment or production and has been shut in. It will either be returned to assessment or production, or will be plugged and abandoned.

T

TCFD	Task Force on Climate-related Financial Disclosures.
TISE	The International Stock Exchange
tenge or KZT	The lawful currency of the Republic of Kazakhstan.
tonne	Metric tonne.
trillion	10 to the power of 12.

U

UNGG	Refers to the Uralsk Oil and Gas Explorations Expedition. The Government of the Kazakh Soviet Socialist Republic decided in March 1960 to create a consortium "Uralskneftegazrazvedka" for conducting oil and gas exploration in the Uralsk region. In the 1960s, the consortium was involved in more than 59 exploration projects. In 1970, the consortium was renamed "Uralsk Enlarged Oil-Gas Exploration Expedition".
UK Corporate Governance Code	Set of principles of good corporate governance for listed companies promulgated by the UK Financial Reporting Council.
Ural O&G	Ural Oil&Gas LLP

W

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

Z

Zhaikmunai LLP	Principal operating entity of the Group Corporate office: 43/1 Karev str. Uralsk, 090000 Republic of Kazakhstan

GRI content index

Statement of use	Nostrum Oil & Gas PLC has reported the information cited in this GRI content index for the period ended 31 December 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI standard	Disclosure	GRI sector standard ref. No.
GRI 2: General Disclosures 2021	2-1 Organisational details	
	2-2 Entities included in the organisation's sustainability reporting	
	2-3 Reporting period, frequency and contact point	
	2-6 Activities, value chain and other business relationships	
	2-7 Employees	
	2-8 Workers who are not employees	
	2-9 Governance structure and composition	
	2-10 Nomination and selection of the highest governance body	
	2-11 Chair of the highest governance body	
	2-14 Role of the highest governance body in sustainability reporting	
	2-15 Conflicts of interest	
	2-18 Evaluation of the performance of the highest governance body	
	2-19 Remuneration policies	
	2-20 Process to determine remuneration	
	2-22 Statement on sustainable development	
	2-23 Policy commitments	
	2-25 Processes to remediate negative impacts	
	2-26 Mechanisms for seeking advice and raising concerns	
	2-27 Compliance with laws and regulations	
	2-26 Mechanisms for seeking advice and raising concerns	
	2-29 Approach to stakeholder engagement	
GRI 3: Material Topics 2021	3-1 Process to determine material topics	
	3-2 List of material topics	
GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	11.2.2
GRI 203-1: Indirect economic impacts 2016	203-2 Significant indirect economic impacts	11.14.5
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	11.14.6

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The chair of the highest governance body is not a senior executive in the Company.	
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GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	
	205-3 Confirmed incidents of corruption and actions taken	11.20.4
GRI 207: Tax 2019	207-4 Country-by-country reporting	11.21.7
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	11.1.2
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	11.6.2
	303-2 Management of water discharge-related impacts	11.6.3
	303-3 Water withdrawal	11.6.4
	303-4 Water discharge	11.6.5
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	11.1.5
	305-2 Energy indirect (Scope 2) GHG emissions	11.1.6
	305-4 GHG emissions intensity	11.1.8
	305-5 Reduction of GHG emissions	11.2.3
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	11.5.2
	306-3 Waste generated	11.5.4
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	11.10.2
	401-3 Parental leave	11,10.4, 11.11.3
GRI 403: Occupational Health and Safety 2018	403-2 Hazard identification, risk assessment, and incident investigation	11.9.3
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	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	11.9.8
	403-9 Work-related injuries	11.9.10
GRI 404: Training and Education 2016	404-2 Programs for upgrading employee skills and transition assistance programs	11.10.7
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	11.11.5
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	11.15.2

Additional disclosures		
GRI: Effluents and Waste 2016[1]	206-3 Significant spills	11.8.2

1. The effluents-related content of the GRI Standard GRI 306: Effluents and Waste 2016 has been superseded by GRI Standard GRI 303: Water and Effluents 2018, and the waste-related content has been superseded by GRI 306: Waste 2020. The spills-related content in GRI 306: Effluents and Waste 2016 remains in effect.

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No confirmed corruption cases were identified in 2023 (see Our governance framework – Bribery, corruption and whistleblowing).	92
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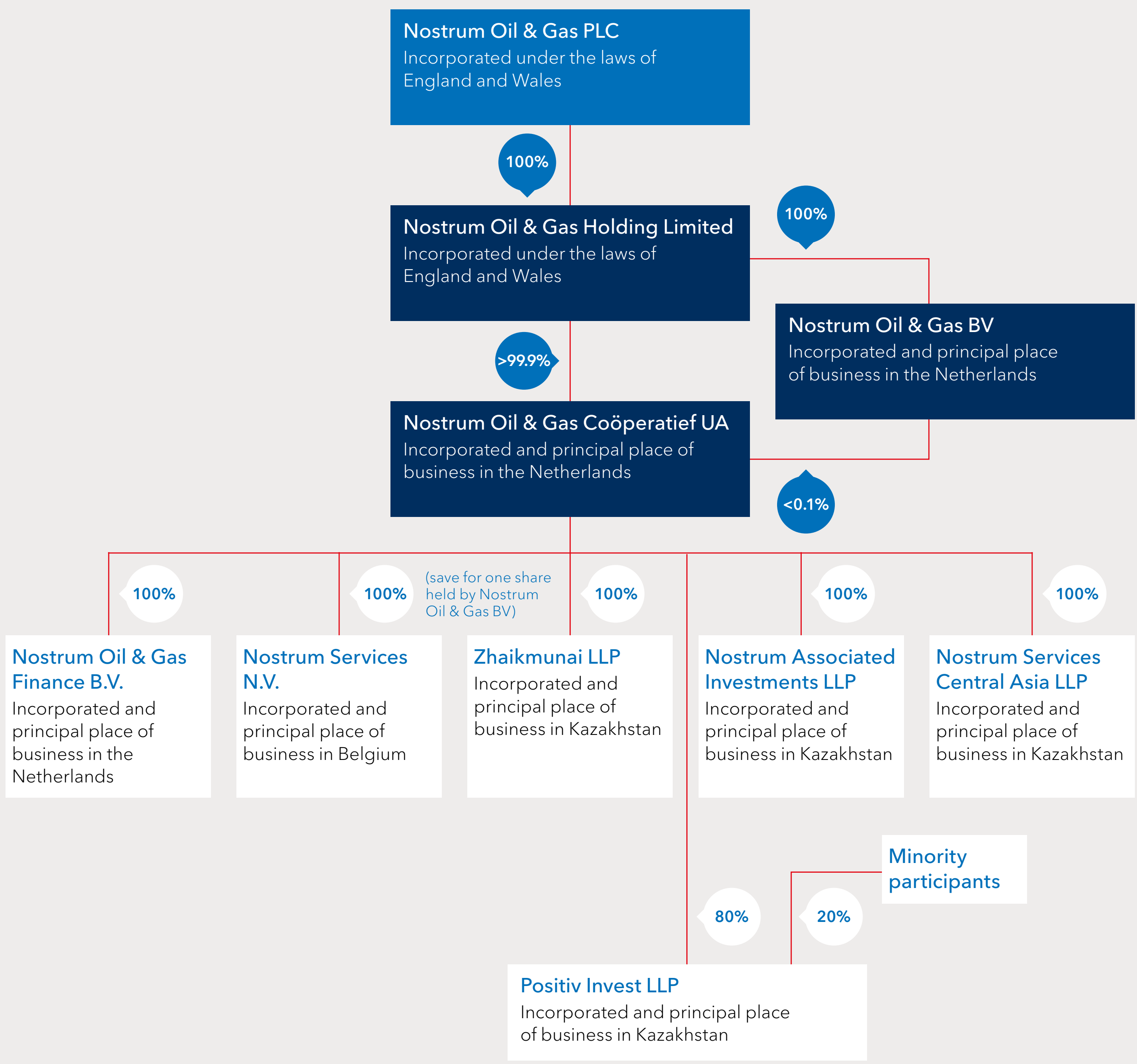
Nostrum Group structure chart

as at 31 December 2023



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