

**/KASE, FEBRUARY 3, 14/ - Zhaikmunai (Oral, Kazakhstan) provided Kazakhstan Stock Exchange (KASE) with the following communication today:**

**quote**

### **Fourth Quarter and Full Year 2013 Operational Update**

#### **Strong cash flow underpinned by successful operational performance**

Nostrum Oil & Gas LP (LSE: NOG) ("Nostrum", or the "Partnership"), the oil and gas exploration and production partnership with assets in north-western Kazakhstan, today announces its operational update for the quarter and twelve months ending 31 December 2013.

Nostrum continued to deliver against its financial, and operational milestones, with steady production, strong cash flows and, in parallel, good progress in infrastructure and exploration work towards the strategic goal of doubling production by 2016.

#### **Highlights**

##### **Financial**

- Record FY revenue of US\$895m (2012: US\$737m)
- EBITDA expected to be above US\$500m (2012: US\$460m)
- Strong cash position at 31 December 2013 of over US\$230m (2012: US\$251m)
- Net debt below US\$400m; net debt to EBITDA ratio remains at 0.8x

##### **Operational**

- Record 2013 average daily production of 46,178 boepd (2012: 36,940 boepd); Q4 average daily production of 48,458 boepd
- Work on the third train of the Gas Treatment Facility (GTF) continuing on schedule
- Acquisition of 3D seismic survey over Rostoshinskoye field completed

##### **Reserve update and drilling programme**

- Updated Ryder Scott Reserve Report shows total 2P reserves of 582 mboe, an increase of 75 mboe from 31<sup>st</sup> December 2012
- 2014 drilling programme on track, targeting 12 new wells, of which two are planned in H2 2014 at one of the recently acquired licence areas

Kai-Uwe Kessel, Chief Executive Officer of Nostrum Oil & Gas, commented:

*"2013 was another record year for the partnership, bringing us a step closer to delivering on our strategy to more than double 2013 production by the end 2016. The Chinarevskoye Field continued to perform strongly, delivering a further increase in production to a record annual total and generating the cash flows and strong balance sheet that provide the basis for our growth. Our focus as we enter 2014 remains on generating growth. We expect our current production to now remain stable and in line with our targets, whilst we increase our reserves through an intensive appraisal programme and work to deliver the key third train of our GTF facility on time and on budget."*

#### **Operational Update**

Nostrum's initial results reflect an extremely successful twelve months of operations, with strong revenues, increased cash flows and a strengthened balance sheet. Full year revenues are expected to be US\$895m compared to US\$737m in the equivalent period in 2012, and EBITDA is expected to be above US\$500m compared to US\$460m in the equivalent period in 2012. This performance was underpinned by



increased average production of 48,458 boepd in Q4, resulting in a record annual average of 46,178 boepd, a 25% increase on 2012.

The product split for Q4 2013 was as follows:

<b>PRODUCTS</b>	<b>Q4 2013 Average Production</b>	<b>Q4 2013 Product Mix %</b>
Crude Oil & Stabilised Condensate	19,847 boepd	41%
LPG (Liquid Petroleum Gas)	4,959 boepd	10%
Dry Gas	23,652 boepd	49%
TOTAL	48,458 boepd	100%

<b>PRODUCTS</b>	<b>FY 2013 Average Production</b>	<b>FY 2013 Product Mix %</b>
Crude Oil & Stabilised Condensate	19,384 boepd	42%
LPG (Liquid Petroleum Gas)	4,259 boepd	9%
Dry Gas	22,535 boepd	49%
TOTAL	46,178 boepd	100%

The existing GTF facility continues to operate at capacity and the scheduled annual shutdown for 2013 was completed in 9 days, ensuring the plant is in excellent condition and compliant with applicable regulations and health and safety requirements.

Nostrum continued to progress towards the target to more than double 2013 production by the end of 2016. Infrastructure expansion remains key to supporting this growth, and the focus in 2014 and 2015 will be on the on-going work at the third train of the GTF.

Certain key milestones in the construction of the third train of the GTF have been achieved. Nostrum has appointed Ferrostaal Industrie Anlagen GmbH (Germany) and Rheinmetall International Engineering (a 50% subsidiary of Ferrostaal) as the project manager in charge of managing the engineering, procurement, construction and commissioning of the entire third train project on behalf of Nostrum's operating subsidiary Zhaikmunai LLP. The front-end engineering and design ("FEED") study, prepared by Lexington Group International (USA), has been the basis from which Ferrostaal's engineering team has developed the project since late 2012.

At present Nostrum is in the final stages of procurement and in the initial stages of detailed engineering for the GTF. As of January 30th 2014 Nostrum has agreed terms with three suppliers for the supply of equipment totalling approximately US \$75m and anticipates that in the coming weeks terms will be agreed with suppliers for an additional US \$60m of equipment. Nostrum anticipates that all procurement contracts for major equipment will be signed before the end of 1H 2014. Construction work will also be continuing at the site. Based on the timetable for the construction, it is anticipated that the plant will be completed and commissioned by mid-2016. The total cost is estimated to be below US \$500m.

### **Reserve update**

An update of Nostrum's reserves report was completed by Ryder Scott on December 16<sup>th</sup> 2013. This report includes the reserves at Chinarevskoye and the three additional license areas acquired in 2013, located close to the Partnership's infrastructure. An overview of the reserves is provided below.

1P: The Proven Reserve base was more than 100% replaced, as it grew from 195 mboe as of 31<sup>st</sup> December 2012 to 199 mboe as of 31<sup>st</sup> August 2013. Taking into account approximately 17 mboe of production during 2013, Nostrum enjoyed a reserve replacement ratio of 102%.

2P: Total 2P Reserves increased by 75 mboe to 582 mboe from 31<sup>st</sup> December 2012. The new licence areas account for 98 mboe of the total 2P Reserves. The total Chinarevskoye 2P reserves were 483 mboe.

3P: Total 3P Reserves were 691 mboe, of which 76 mboe are located in the Chinarevskoye Field and 34 mboe in the new license areas. This represents a decrease from the previous 3P estimate carried out in 2009, due to a combination of reserves moving in to higher categories, cumulative production over the



period and the additional information built over the last four years, allowing more accurate 2P Reserves to be calculated and removing possible reserves which are now considered unlikely to be commercially producible.

For a detailed breakdown of the reserve report please access: [Ryder Scott reserves report](#)

Nostrum is pleased to show that, in line with its strategy, it continues to grow its reserve base, moving towards its target of 700 mboe of Proven Reserves, which will provide for the full utilisation of both its GTFs at over 100,000 boepd beyond 2030. The Partnership will continue to pursue its strategy of growing Proven Reserves both organically, from its existing reserve base, and through opportunistic M&A activity. Nostrum sees huge potential in both areas during 2014.

### **Appraisal & Exploration programme**

Nostrum will continue its focus on appraisal drilling during 2014 in two main areas:

- 1) In line with its exploration period extension, it will target the unaudited exploration area with one exploration well.
- 2) The Partnership will continue to target transferring more Probable Reserves into the Proven category. This Probable to Proven transfer will largely be focused at the Chinarevskoye Field. Nostrum plans to drill approximately 5-6 appraisal wells during 2014, of which two will be in the recently acquired fields and are anticipated to be drilled in the second half of 2014.

### **Production drilling**

The Partnership plans to drill 4-5 production wells during 2014 to maintain production above the 45,000 boepd target.

### **Corporate**

Nostrum anticipates concluding the previously announced preparatory legal and regulatory work for a possible alternative listing during H1 2014. As part of this process in December 2013 Nostrum acquired Probel Capital Management NV, which was previously the Partnership's principal external provider of senior oil & gas and management services. Nostrum acquired the company at a price based on the value of its outstanding service contracts with Probel, with the consideration for the acquisition being approximately EUR21.07m. The purchase was made in compliance with good corporate governance practice and for the purposes of ensuring that all of Nostrum's senior management are engaged directly by Nostrum Group companies. As a result Nostrum can fulfil the requirements of the United Kingdom Listing Authority's Listing Rules, which provide that significant elements of the strategic decision-making of or planning for a company shall take place inside the company and not, for example, with an external management company.

In conjunction with a possible alternative listing we requested a waiver of the State pre-emptive right and consent from the Ministry of Oil & Gas in Kazakhstan for certain corporate restructurings contemplated for such a listing. On 30th December 2013 we received such waiver and consent from the Republic of Kazakhstan Ministry of Oil & Gas. We currently intend to implement this corporate reorganisation in the first half of 2014, with the approval of our limited partners. The specific details of the reorganisation will be communicated at a later date.

Nostrum repurchased 1,808,726 of its GDRs during 2013. The approval obtained for the buy-back programme from the Board of the general partner and by the limited partners of the Partnership remains valid until the conclusion of the 2014 Annual General Meeting of limited partners or until December 31<sup>st</sup> 2014, whichever is sooner. Nevertheless, the general partner of the Partnership intends to review the GDR buy-back programme over the coming weeks and consider whether to continue it on its current terms, modify its terms or terminate the programme upon completion of the financial, tax and legal analyses currently being undertaken in view of a possible alternative listing.

### **Full Year Results**

The financial information in this operational update is being issued in advance of the release of Nostrum Oil & Gas's accounts for the twelve months ended 31st December 2013, which will take place prior to 28<sup>th</sup> March 2014, as a consequence of certain regulatory requirements in the Republic of Kazakhstan. The financial information in this update remains subject to further review.



## Further information

For further information please visit [www.nog.co.uk](http://www.nog.co.uk)

Further enquiries

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### About Nostrum Oil & Gas

Nostrum Oil & Gas is an independent oil and gas enterprise currently engaging in the production, development and exploration of oil and gas in north-western Kazakhstan. Its Global Depositary Receipts (GDRs) are listed on the London Stock Exchange (Ticker symbol: NOG). The principal producing asset of Nostrum Oil & Gas LP is the Chinarevskoye field, in which it holds a 100% interest and is the operator, through its wholly-owned subsidiary Zhaikmunai LLP. In addition, Nostrum Oil & Gas holds a 100% interest in and is the operator of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye oil and gas fields. Located in the pre-Caspian basin to the north-west of Uralsk, these exploration and development fields are approximately 60 and 120 kilometres respectively from the Chinarevskoye field.

### Forward-Looking Statements

Some of the statements in this document are forward-looking. Forward-looking statements include statements regarding the intent, belief and current expectations of the Partnership or its officers with respect to various matters. When used in this document, the words "expects," "believes," "anticipates," "plans," "may," "will," "should" and similar expressions, and the negatives thereof, are intended to identify forward-looking statements. Such statements are not promises or guarantees, and are subject to risks and uncertainties that could cause actual outcomes to differ materially from those suggested by any such statements.

### Deutsche Bank

Deutsche Bank AG is authorised under German Banking Law (competent authority: BaFin - Federal Financial Supervisory Authority) and authorised and subject to limited regulation by the Financial Conduct Authority (the "FCA"). Details about the extent of Deutsche Bank AG's authorisation and regulation by the FCA are available on request.

### VTB Capital

VTB Capital Plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

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