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## **Zhaikmunai LLP**

### **Operational Update for the Nine Months ending 30 September 2018**

**Uralsk, 30 October 2018**

Zhaikmunai LLP, a subsidiary of Nostrum Oil & Gas PLC (“Nostrum” or “the Company” and together with its subsidiaries “the Group”) an independent oil and gas company engaging in the production, development and exploration of oil and gas in the pre-Caspian Basin, today announces Nostrum’s operational update in respect of the nine-month period ending 30 September 2018. This update is being issued in advance of the release of Nostrum’s consolidated accounts for the same period. The information contained in this update remains subject to review by the Company’s independent auditors.

#### **Highlights:**

##### **Operational**

- 9M 2018 average production after treatment of 31,757 boepd
- 9M 2018 average sales volumes of 30,523 boepd
- Q3 2018 average sales volumes of 31,776 boepd

##### **Financial**

- 9M 2018 Revenues expected to be in excess of US\$310 million (9M 2017: US\$304 million)
- 9M 2018 Cash position in excess of US\$102 million (H1 2018: US\$135 million)
- Total debt expected not to exceed US\$1,108 million and net debt expected not to exceed approximately US\$1,013 million as at 30 September 2018

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

*“In Q3 2018 we saw an increase in sales volumes due to the successful testing of Well 40 in the Northern area. Well 40 has now been shut in as we wait for the extension of the exploration license. We are close to completing the next two production wells in the Biski reservoir which will further boost production at the end of Q4 2018. We also plan to bring our low pressure system on line in Q4 2018 which will allow us to bring two old wells back on line. The end is now in sight on GTU3 with the final welding works taking place prior to mechanical completion and commissioning. We are targeting commissioning to start in Q4 2018 and be completed in Q1 2019. Whilst the*

final stages of civil works have taken longer than planned due to a lack of resources we are now looking forward to completing GTU3 and bringing it on line.

*I am delighted that during Q3 we signed binding terms for the purchase and processing of third-party hydrocarbons delivered by Ural Oil & Gas (UOG). This was a major development for the Company as it demonstrates the significant value of our infrastructure, whether through producing our own hydrocarbons or processing those received by third parties. We will continue to look to grow our access to additional hydrocarbons in the region as we increase our processing capacity.”*

### Sales volumes

The sales volumes split for 9M 2018 was as follows:

Products	9M 2018 sales volumes (boepd)	9M 2018 Product Mix (%)
Crude Oil & Stabilised Condensate	12,217	40
LPG (Liquid Petroleum Gas)	3,891	13
Dry Gas	14,415	47
<b>Total</b>	<b>30,523</b>	<b>100.00</b>

The difference between production after treatment and sales volumes is due to part of the dry gas being used for internal consumption (power generation), gas lift and some losses during transportation.

### Drilling

- 42 wells currently producing (23 oil wells and 19 gas-condensate wells). Well 40 is now offline and one additional oil well was suspended due to work over operations vs H1 2018.
- Drilling activity on four wells in Q3 2018, namely two new Biski North-East wells which were spudded (Well 228 in July and Well 231 in September), one appraisal well in the Biski West (Well 234 which is currently suspended) and the deepening of appraisal Well 52\_1 which is currently undergoing testing. We will shortly be spudding Well 703 once we have completed Well 228.
- Workover activity continued in Q3 2018 on an Electric Submersible Pump ESP replacement and re-completions, including on the productive Well 40. This well was suspended at the end of August due to the expiry of the current licence, which is currently under application for extension.

### Production guidance

- Following the suspension of Well 40 and the down time required to introduce the low pressure system we expect average sales volumes for the year to be above 30,000 boepd, but below our previous guidance of 32,000 boepd.
- Given the revision downwards in Q1 2018 of our 2018 production the forecast figures calculated by Ryder Scott will also likely be impacted. We will be

providing management guidance for 2019 production in the Q3 announcement when we have agreed the drilling plan for 2019.

- The longer-term guidance of being able to fill both our gas plants once GTU3 is complete remains. Our target is to reach full capacity of 4.2bn cubic metres per annum within the next 3-5 years from Chinarevskoye and surrounding licences

### **Progress on the development of GTU3**

GTU3 is now close to mechanical completion. All outside areas such as roads, levelling and fencing have been completed. The storage facilities for Liquefied Petroleum Gas are finished and ready for use. The central heating system has also been successfully commissioned. The compressor buildings are finished and the compressors are ready for commissioning. The remaining areas awaiting completion are all linked to a delay in welding at the site. This has been due to a lack of skilled welders being available over the summer. We plan to have mechanical completion and start commissioning before the end of Q4 2018. The fact that commissioning will take place over the winter will lead to an increase in costs which are currently being revised and will be finalised by the end of November once the commissioning timetable is agreed.

The below figures reflect all future cash payments expected to be made (excluding VAT) on GTU3.

<b>Remaining cash spend for mechanical completion</b>	US\$13.3 million
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### **Broker update**

Nostrum is pleased to announce the appointment of Peel Hunt LLP as joint corporate broker to the Company. We look forward to working with them alongside Numis to further improve our investor engagement.

### **Developments outside the reporting period**

Nostrum's application for extensions for the Group's Trident field Sub-soil User Contracts (SSUCs) have been submitted. The Rostoshinskoye SSUC expired in February 2017 and the Darinskoye and Yuzhno-Gremyachenskoye SSUCs expired on 31 December 2017. The extension of the Yuzhno-Gremyachenskoye SSUC was successfully registered on 10 October 2018. The extension to the Rostoshinskoye SSUC was also finalised in April 2018. The extension of the Darinskoye SSUC is pending.

### **Release of Nostrum's 9M 2018 Financial Results**

Nostrum plans to release its consolidated accounts for 9M 2018 ending 30 September 2018 on 27 November 2018.

Disclosure of inside information in accordance with Article 17 of Regulation (EU) 596/2014 (16 April 2014) relating to Zhaikmunai LLP.

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**Further information**

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

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About Nostrum Oil & Gas

Nostrum Oil & Gas PLC is an independent oil and gas company currently engaging in the production, development and exploration of oil and gas in the pre-Caspian Basin. Its shares are listed on the London Stock Exchange (ticker symbol: NOG). The principal producing asset of Nostrum Oil & Gas PLC 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 through the same subsidiary. Located in the pre-Caspian basin to the north-west of Uralsk, these exploration and development fields are situated between approximately 60 and 120 kilometres 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 Group 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.

No part of this announcement constitutes, or shall be taken to constitute, an invitation or inducement to invest in Zhaikmunai LLP or the Company or any other entity, and shareholders of the Company are cautioned not to place undue reliance on the forward-looking statements. Save as required by the Listing Rules and applicable law,



neither Zhaikmunai LLP nor the Company undertakes to update or change any forward-looking statements to reflect events occurring after the date of this announcement.