

## Operational Update for the First Half Ending 30 June 2014

### RECORD FIRST HALF PERFORMANCE COMBINED WITH MOVE TO THE MAIN BOARD

Amsterdam, 31<sup>st</sup> July 2014

Zhaikmunai LLP, a subsidiary of Nostrum Oil & Gas PLC (“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 its operational update for the first half year ended 30th June 2014. This update is being issued in advance of the release of its unaudited and consolidated accounts for the same period, which is scheduled for 28<sup>th</sup> August. The information contained in this update has not yet been audited and remains subject to review by the independent auditors.

#### Highlights of exceptional operational and financial results:

- Record average daily production of 46,596 boepd
- Record revenue expected to be above US\$445m
- Cash position of approximately US\$458m (including short-term deposits) and net debt of approximately US\$517m
- Third annual distribution of US\$0.35 cents per share paid on 6<sup>th</sup> June 2014
- Repayment of remaining portion of 2015 bonds in April 2014
- Premium Listing obtained

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

*“I am delighted with the continued success we have enjoyed both operationally and financially over the first half of 2014. Operationally we continue to outperform our yearly production target of 45,000boepd. The operational outperformance combined with the high oil price puts us well ahead of our financial targets for the year. We continue to enjoy a healthy cash position and low leverage whilst maintaining significant progress with GTU3. We look forward to completing GTU3 on time and on budget to deliver 100,000 boepd by the end of 2016.”*

#### Production Split

PRODUCTS	HY 2014 Production	Average	HY 2014 Product Mix %
Crude Oil & Stabilised Condensate	19,486 boepd		42%
LPG (Liquid Petroleum Gas)	4,740 boepd		10%
Dry Gas	22,343 boepd		48%
TOTAL	46,569 boepd		100%

#### Drilling

##### Production & Appraisal

- 15 oil wells and 15 gas condensate are currently producing at the Chinarevskoye field;
- 3 gas condensate wells (204, 208 and 222) have been completed during 1H 2014. Well 222 is currently undergoing well tests; well 204 is waiting for fracking equipment and well 208 is temporarily closed awaiting well testing.
- 1 gas condensate well (219) is being drilled with completion expected before the end of Q3.
- 2 crude oil wells (123, 124) are expected to be completed and tested by the end of Q3 2014.
- The above 4 gas condensate wells and 2 crude oil wells will complete the production wells scheduled for 2014
- Multi-target appraisal well (724) is under way and will target two more layers in the Lower Permian reservoir. The well is scheduled to complete testing all targets by the end of Q3 2014

### **Exploration**

- Exploration well (40) tested successfully in the Borikovski horizon. A commercial discovery was announced in May 2014. With limited test information, the oil in place volume was estimated at 8 MMbbl. An extension to the exploration license has been submitted and further testing of the well will take place if the license is extended.

### **Exploration & Appraisal of Rostoshinskoye, Darzhinskoye and Yuzhno-Gremyachenskoye**

- The 3D seismic processing of the three additional adjacent fields has been completed. The re-interpretation of the data will now take place over the 3Q and 4Q of 2014. In addition, the tender process for the first wells on the three licenses has been started. 1 well is scheduled for completion by the end of 2014.

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

Nostrum has concluded the main part of the procurement process in relation to GTU3. The total commitments entered in to by Nostrum in relation to procurement are approximately US\$150m in line with the budget.

On Monday 28<sup>th</sup> July Nostrum announced that the Group has entered into a contract with JSC “OGCC KazStroyService” for the construction of the third unit of the Group’s gas treatment facility for a consideration of US\$150 million (the “**Construction Contract**”), in line with the budget for the GTU3 project. As the Contractor is an affiliate of KazStroyService Global B.V., which currently owns approximately 26.6% of the Company’s ordinary shares, the Construction Contract is a related party transaction for the purposes of the Listing Rules. Accordingly, the Construction Contract is subject to the requirements of the Listing Rules and is conditional, inter alia, upon approval by the shareholders of the Company. The GTU3 project remains on budget to be completed for under US\$500m and on time to allow for the doubling of production by the end of 2016.

### **Off-take agreement with Trafigura**

In May 2014, Nostrum announced an agreement of condensate supplies signed with Trafigura. Under the contract the Company plans to sell approximately 720,000 tons of gas condensate to Trafigura, one of the leading global commodities trading houses, over the next 24 months.

### **Current product destinations**

The current export destinations for Nostrums products are concentrated around the following destinations:

- Crude oil - Finland
- Condensate - Black Sea port of Taman
- LPG – Russian Black Sea ports

### **Premium Listing completed**

The Directors were delighted to announce that on 20th June 2014, the ordinary share capital of the Company of 188,182,958 shares has been admitted to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange plc's main market for listed securities under the ticker "NOG". Further information about the Company is available on the website at [www.nog.co.uk](http://www.nog.co.uk). The Premium Listing replaced the previous GDR listing and the shares replaced the GDRs as the listed securities in Nostrum. The GDRs are scheduled to be cancelled in Q3 2014.



Following the move to the Main Board, Nostrum Oil & Gas plc will no longer be providing EBITDA estimates in the operational updates.

### **Kazakhstan Legal Proceedings**

Below is an updated summary of recent developments in legal proceedings in Kazakhstan to which Nostrum's wholly-owned operating subsidiary Zhaikmunai LLP ("Zhaikmunai") is a party.

The appeal process in relation to the tax audit of Zhaikmunai for the period 2009-2011 undertaken by the Tax Authority in 2013 (referred to in the previous operational update) is ongoing. These proceedings do not affect Zhaikmunai's ongoing operations, which continue uninterrupted.

In relation to the environmental proceedings brought against Zhaikmunai in the Uralsk Administrative Court by the West Kazakhstan Environmental Department (referred to in the previous operational update), on 30 May 2014 the West Kazakhstan Regional Administrative Court reversed the 28 February 2014 judgment of the Uralsk Administrative Court. Two penalties were cancelled (KZT 3,298,705,769) in favour of Zhaikmunai and six penalties were affirmed (KZT 559,005).

### **Dividend Payment**

In May, the board of the General Partner of Nostrum announced a distribution of \$0.35 per common unit would be made by the Partnership to the holders of common units representing limited partnership interests. The distribution was paid by the Partnership on 6 June 2014 to common unit holders on Nostrum's register of partners and interests at the close of business on 30 May 2014. This is the third consecutive annual dividend paid by Nostrum and is in line with current company policy of not less than 20 per cent of the company's consolidated net profit. This policy reflects the company's desire to recognize the growth and cash generation inherent in the business.

### **Repayment of 2015 outstanding notes**

In March, Nostrum Oil & Gas LP announced that it had issued instructions to the trustee to redeem the outstanding US\$92,505,000 of its 10.5% Senior Notes due in 2015 (the "Notes"). Nostrum exercised its right of optional redemption under the Notes. The redemption price was 105.25% plus accrued and unpaid interest. The redemption date was April 14<sup>th</sup> 2014.

### **Release of Nostrum's HY 2014 results**

Nostrum plans to release its unaudited consolidated accounts for the first half year ending 30<sup>th</sup> June 2014 on 28<sup>th</sup> August 2014. Nostrum's management team will be available for a Q&A session with analysts and investors following the release at 14.00 BST on 28<sup>th</sup> August. Please click on the following link to register for the call: [Conference call registration](#)

### **Further information**

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

Further enquiries

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#### 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.