nostrum
Oil & Gas

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London, 22 May 2018

Financial Results for the First Quarter and Three Months ending 31 March 2018

Nostrum Oil & Gas PLC (LSE: NOG) ("Nostrum", or "the Company"), 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 financial results in respect of the three-month period ending 31 March 2018.

Highlights:

Financial:

- Revenue of US$94.8 million (Q1 2017: US$111.9 million)
- Net operating cash flows[1] of US$56.0 million (Q1 2017: US$68.2 million)
- EBITDA[2] of US$57.2 million (Q1 2017: US$68.5 million)
- EBITDA margin of 60.3 % (Q1 2017: 61.2%)
- Transport/boe costs of US$4.7 /bbl (Q1 2017: US$4.0/bbl)
- Closing cash[3] for the period of US$132.3 million (FY 2017: US$120.0 million)
- Total debt of US$1,104.1 million and net debt of US$971.9 million as at 31 March 2018

Operational:

- Q1 2018 average production after treatment of 32,946 boepd
- Q1 2018 average sales volumes of 30,874 boepd
- Tie in of GTU1&2 to GTU3 completed five days quicker than forecast

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

"Q1 2018 was disappointing operationally as we encountered water in the first production well of the year near the flanks of the Biski North East reservoir. Our subsequent analysis has shown the issue is likely restricted to just water in the natural fractures in the flanks of the Biski North East reservoir and will not have any material impact on our reserves in this reservoir. We are working on potential solutions to be able to bring this well in to production.

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[1] IFRS term based on indirect cash flow method

[2] Defined as profit before tax net of finance costs, foreign exchange loss/gain, ESOP, depreciation, interest income, other income and expenses.

[3] Defined as cash and cash equivalents including current and non-current investments and excluding restricted cash

Q1 2018 was more positive financially, as we have seen a sustained recovery in the oil price during Q1 and also a reduction in costs, leading to higher EBITDA margin compared with Q4 2017. We will continue to carefully monitor costs while we work on adding production during Q2 2018.

We are pleased to have successfully tied-in GTU3 which, once fully completed, will provide us with the capacity to significantly increase production in the longer-term. We look forward to bringing additional production online and seeing a recovery in 2018 sales volumes."

Other News

Progress on the development of GTU3

The tie-in of GTU3 to GTU1&2 has been completed with a total downtime of ten days, which was well inside our forecasted time of three weeks. We are now focused on achieving mechanical completion as quickly as possible.

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

Remaining GTU3 Cash Spend (excl VAT) as at 31 March 2018	US$45.9 million

Conference call
Nostrum's management team will present the Q1 2018 Financial Results and will be available for a Q&A session with analysts and investors today at 14.00 pm BST, 22 May 2018. If you would like to participate in this call, please register by clicking on the following link and following instructions: Results Call

Download: Q1 2018 Results Presentation
Download: Q1 2018 Financial Statements

Disclosure of inside information in accordance with Article 17 of Regulation (EU) 596/2014 (16 April 2014) relating to Nostrum Oil & Gas PLC and Zhaikmunai LLP

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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 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.

No part of this announcement constitutes, or shall be taken to constitute, an invitation or inducement to invest in 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, the Company does not undertake to update or change any forward-looking statements to reflect events occurring after the date of this announcement.

Q1 2018: Nostrum Financial Results

In millions of US$ (unless mentioned otherwise)	**Q1 2018**	**Q1 2017**	**Variance**	**Variance in %**
Revenue	94.8	111.9	(17.1)	(15.3)
EBITDA	57.2	68.5	(11.3)	(16.5)
EBITDA margin	60.3	61.2	-	-

In millions of US$ (unless mentioned otherwise)	Q1 2018	FY 2017	Variance	Variance in %
Cash Position	132.3	127.0	5.3	4.2
Net Debt	971.9	960.9	(11.9)	1.1

Revenue, EBITDA and Profit for the Period

Revenue from sales of crude oil, stabilised condensate, LPG and dry gas over the period amounted to US$94.8 million, down 15.3% on the same period last year due to lower sales volumes. EBITDA was US$57.2 million with an EBITDA margin of 60.3%. Profit for the period was US$3.6 million.

Cost of sales

The cost of sales was US$41.4 million, a decrease from the Q1 2017 figure of US$44.5 million. This is partially due to the prior year figure including royalties and government profit share within the cost of sales line.

Cash resources and Net debt

The Group ended the period with US$132.3 million in cash and cash equivalents (FY 2017: US$127.0 million). Net debt at the end of the period was US$971.9 million (FY 2017: US$960.9 million).

Hedging

On 4 January 2018, Nostrum entered into a hedging contract equating to production of 9,000 barrels of oil per day. The hedging contract is a zero-cost capped collar with a floor price of US$60.0. The Group has covered the cost of the floor price by selling a number of call options with different strike prices for each quarter; Q1:US$67.5; Q2:US$64.1; Q3:US$64.1; and Q4:US$64.1. The amount of upside given away has been capped through the purchase of a number of call options with different strike prices: Q1:US$71.5; Q2:US$69.1; Q3:US$69.6; and Q4:US$69.6. There were no upfront costs to the Company for the hedging contract. The hedging contract matures on 31 December 2018 and is settled in cash on a quarterly basis.

The average Brent price during Q1 resulted in no settlements taking place between Nostrum and its hedging counterparty. The Company remains hedged on 9,000 barrels of oil per day at a floor price of US$60.0.

Sales volumes

The sales volumes split for Q1 2018 was as follows:

Products	Q1 2018 sales volumes (boepd)	Q1 2018 Product Mix (%)
Crude Oil & Stabilised Condensate	12,080	39
LPG (Liquid Petroleum Gas)	3,978	13
Dry Gas	14,816	48
Total	30,874	100

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

- 43 wells currently producing at the Chinarevskoye Field - 23 oil wells and 20 gas condensate wells
- Our first raw gas production well found both hydrocarbons and water in the natural fractures in the Biski North East reservoir and we have stopped working on it whilst we analyse how best to produce from it
- Our second gas condensate well is now nearing completion and we will look to bring this online in the coming weeks
- Completion and stimulation activity finished on one oil development well which was successfully brought online
- Preparations were made to recommence the technical appraisal of one well in the Western area of the Chinarevskoye field to target the probable reserves in the Biski West reservoir
- Wellsite preparation commenced on two further gas condensate development wells to be completed later in the year
- Deepening of a well in the Northern Area of the field has been completed using a work over rig. The well has found hydrocarbons and is currently under test production to determine the reservoir properties
- Currently there are two drilling rigs on the field site with a third rig due to arrive and be operational in Q2 to allow for up to eight wells to be drilled during 2018

Production guidance

- Following the loss of the first production well which had forecast 3,000 boepd from Q2 onwards in 2018 we are revising down our 2018 guidance to target average production of plant products before own use of 34,000 boepd. Assuming an average consumption of dry gas during 2018 of 2,000 boepd we therefore expect sales volumes to average 32,000 boepd for the year.
- Given the revision downwards in 2018 production the forecast figures calculated by Ryder Scott will also likely be impacted. We are therefore removing the January 2018 Ryder Scott forecast data and will be providing management guidance for 2019 production in the 2018 Q3 results.
- 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. The speed at which we ramp up is directly correlated to the speed of drilling and the number of rigs we have on field site. Currently the forecast is to have three rigs in 2019, five rigs in 2020 and six rigs in 2021.