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Zhaikmunai LLP

Nostrum Financial Results for the Nine Months ending 30 September 2019

Uralsk, 19 November 2019

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 financial results in respect of the nine-month period ending 30 September 2019.

Overview:

Financial:

- Revenue of US\$250.3 million (9M 2018: US\$311.4 million)
- Net operating cash flows¹ of US\$160.2 million (9M 2018: US\$151.3 million)
- EBITDA² of US\$158.3 million (9M 2018: US\$187.7 million)
- EBITDA margin of 63.3% (9M 2018: 60.3%)
- Closing cash³ for the period of US\$91.3 million (H1 2019: US\$120.8 million)
- Total debt of US\$1,113 million and net debt of US\$1,021.7 as at 30 September 2019

Operational

- GTU3 commissioning complete
- 44 wells currently producing – 18 oil wells and 26 gas condensate wells
- Wells 42 & 41 tested without commercial flows of hydrocarbons
- Well 361 drilling complete, initial test results show no commercial flow of hydrocarbons
- 9M 2019 average production after treatment of 28,877 boepd
- 9M 2019 average sales volumes of 27,515 boepd
- Schlumberger and PM Lucas reports delivered to the Company
- Extended licences for the Rostoshinskoye and the Chinarevskoye fields

¹ IFRS term based on indirect cash flow method

² Profit before tax net of finance costs, foreign exchange loss/gain, ESOP, depreciation, interest income, other income and expenses

³ Cash and cash equivalents including current and non-current investments and excluding restricted cash

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

The first nine months of 2019 have been very challenging. We have seen quicker than expected decline in our core producing reservoirs resulting in a reduction in our sales guidance for 2019 by 1,000 boepd. We are analysing the reports provided by Schlumberger and PM Lucas. We continue to explore all options to maximise stakeholder value through our strategic review process. We hope to have concluded this process along with the conclusions from the reports on our reservoirs by year end.

GTU3 commissioned

GTU3 is now commissioned. The remaining amount due to contractors on the plant that will be paid in Q4 will be approximately US\$14 million.

Sales volumes

The sales volumes split for 9M 2019 was as follows:

Products	9M 2019 sales volumes (boepd)	9M 2019 Product Mix (%)
Crude Oil & Stabilised Condensate	9,580	34.82
LPG (Liquid Petroleum Gas)	3,680	13.37
Dry Gas	14,255	51.81
Total	27,515	100.00

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.

9M 2019 Drilling

- As at 30 September 2019, the Company had 44 wells in production (18 oil wells and 26 gas-condensate wells).
- Two wells were drilled during Q3. Well 51, a water injector in to the Tournasian oil reservoir, and appraisal well 361 was drilled in to the Vorobyovsky reservoir in the Northern part of the licence. Initial testing of well 361 has not shown any commercial flow of hydrocarbons.
- Following extensive testing on well 41 in the Frasnian reservoir Nostrum has so far been unable to sustain a commercial flow of hydrocarbons from the well. The Company will now consider whether there are alternative approaches it can take to perforate other reservoirs. The Company does not forecast any production from this well in 2019.

2019 sales volume and 2020 guidance

- 2019 production guidance was revised down on 29 October 2019 with production forecast at 28,000 boepd and corresponding to sales volumes of 27,000 boepd.
- Guidance for 2020 will be provided once we have concluded the internal analysis on the Schlumberger and PM Lucas reports. This work should be concluded before year end.

Licence extensions

The Company has obtained an extension of the Rostoshinskoye field subsoil use contract for appraisal activity for a three-year period until 16 August 2022. In addition, the Company has obtained an extension of the mining permit for the Chinarevskoye field to include the Northern area of the field, which permit is valid for the duration of the licence.

Conference call

Nostrum's management team will present the 9M 2019 Financial Results and will be available for a Q&A session with analysts and investors today at 14.00 pm BST, 19 November 2019. If you would like to participate in this call, please register by clicking on the following link [Results Call](#) and following instructions using the conference ID 7637927.

[9M 2019 Financial Results presentation](#)

[9M 2019 Financial Results](#)

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Further information

For further information please visit 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.

9M 2019: Nostrum Financial Results

In millions of US\$ (unless mentioned otherwise)	9M 2019	9M 2018	Variance	Variance in %
Revenue	250.3	311.4	(61.1)	(19.6)
EBITDA	158.3	187.7	(29.4)	(15.7)
EBITDA margin (%)	63.3	60.3	3.0%	-

In millions of US\$ (unless mentioned otherwise)	9M 2019	H1 2019	Variance	Variance in %
Cash Position	91.3	120.8	(29.5)	(24.4)

Net Debt	1,021.7	1,012.0	9.7	1.0
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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\$250.3 million for the reporting period, a decrease from the 9M 2018 figure of US\$311.4 million. This is mainly explained by a 10.9% decrease in the average Brent crude oil price during the period. EBITDA was US\$158.3 million with an EBITDA margin of 63.3%. Profit for the period was US\$3.5 million.

Cost of sales

The cost of sales during the period was US\$115.5 million, a decrease of 10.3 million from the 9M 2018 figure of US\$125.8 million.

Cash resources and net debt

The Group ended the period with US\$91.3 million in cash and cash equivalents (H1 2019: US\$120.8 million). Net debt at the end of the period was US\$1,021.7 million (H1 2019: US\$1,012.0 million).