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Zhaikmunai LLP

Operational Update for the Fourth Quarter and Twelve Months ending 31 December 2017

Uralsk, 30 January 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 its operational update in respect of the twelve-month period ending 31 December 2017. 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.

Operational

- FY 2017 average production after treatment of 39,199 boepd
- Q4 2017 average production after treatment of 34,285 boepd

Financial

- FY revenues expected to be in excess of US\$400 million (FY 2016: US\$348 million)
- Cash position in excess of US\$127 million (9M 2017: US\$144 million)
- Total debt expected not to exceed US\$1,080 million and net debt expected not to exceed approximately US\$950 million as at 31 December 2017

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

“Nostrum benefited from higher oil prices in Q4, which compensated for reduced production from two producing wells, 217 and 225, in 2017. The Company is focused on stabilising production during 2018 and completing GTU3 to ensure we have the opportunity to grow our production in the second half of 2018. In addition, we hope to further stabilise our balance sheet by refinancing our remaining debt due in 2019. This will allow us to focus over the next 3 years on ramping up production and deleveraging the balance sheet. We will continue to implement cost saving initiatives wherever possible.”

Sales volumes

The sales volumes split for FY 2017 was as follows:

Products	FY 2017 sales volumes (boepd)	FY 2017 Product Mix (%)
Crude Oil & Stabilised Condensate	15,292	40.4%
LPG (Liquid Petroleum Gas)	4,618	12.2%
Dry Gas	17,934	47.4%
Total	37,844	100.0%

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

- 40 wells currently producing at the Chinarevskoye field – 21 oil wells and 19 gas condensate wells
- During Q4 2017, drilling activity was finished on 2 wells, which are currently undergoing stimulation and testing
- Currently there are 2 drilling rigs on field site drilling 2 production wells. A third rig will arrive and be operational at the beginning of H2. This will allow for up to 8 wells to be drilled during 2018. The first 4 wells drilled in 2018 will all be production wells.
- Drilling capex for 2018 is budgeted to be below US\$90 million

Production guidance

- 2018 production is expected to be flat over the year at around 37,000 boepd, taking into account the time it will take (3 months) to bring the two new production wells currently being drilled on line, in addition to the 3-week shutdown to link GTU1&2 to GTU3 in Q2 of 2018
- 2019 production guidance, assumes 3 rigs being used during 2019 for the full year, leading to a production average of 50,000 boepd
- 2020 production, assuming an increase in rigs at field site to 5, resulting in average production of 65,000 boepd
- Increasing the rig count to 6 during 2021 will allow drilling of up-to 16 new wells per year with successive increase of production reaching 100,000 boepd

Should oil prices deviate materially, the production guidance will be updated accordingly.

Progress on the development of GTU3

In Q4 2017, the construction of GTU3 entered into the final mechanical construction phase. Pipe work welding, hydro-testing, cable-pulling and the completion of works inside the buildings, including process and compression units, has been a priority with the onset of winter conditions. Completion and commissioning are forecast for Q2 2018.

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

GTU3 Cash Spent (excl VAT)	as at 31 December 2017
Expenditure to date	US\$473 million
Expenditure remaining in 2018	US\$59 million

Significant news after reporting period

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, 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, 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.

Call Notice

On 18 January 2018 Nostrum announced a conditional call for notes issued by Zhaikmunai LLP in respect of the 6.375% and 7.125% senior notes due 2019. For further details please visit [Regulatory News](#).

Release of Nostrum's FY 2017 Financial results

Nostrum plans to release its audited consolidated accounts for FY 2017 ending 31 December 2017 on 27 March 2018.

Further information

For further information please visit www.nog.co.uk

Further enquiries

Nostrum Oil & Gas PLC – Investor Relations

Kirsty Hamilton-Smith

Amy Barlow

+44 203 740 7433

ir@nog.co.uk

Instinctif Partners - UK

David Simonson

George Yeomans

+ 44 (0) 207 457 2020

Promo Group Communications – Kazakhstan

Asel Karaulova

Irina Noskova

+ 7 (727) 264 67 37

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.