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Zhaikmunai LLP

Operational Update for the Six Months ending 30 June 2019

Uralsk, 30 July 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 operational update in respect of the six-month period ending 30 June 2019. 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:

Strategic

- Proposed acquisition of oil & gas assets in North West Kazakhstan
- Review of Strategic & Operational Options for Nostrum

Operational

- H1 2019 average production after treatment of 31,096 boepd
- H1 2019 average sales volumes of 29,210 boepd
- Drilling of wells 41 and 42 completed, with testing ongoing

Financial

- H1 2019 revenues expected to be in excess of US\$174 million (H1 2018: US\$191 million)
- H1 2019 cash position in excess of US\$120 million (Q1 2019: US\$75.7 million)
- Total debt expected not to exceed US\$1,133 million and net debt expected not to exceed US\$1,013 million as at 30 June 2019

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

“H1 production was in line with expectations. We haven’t yet finalised the testing of the Northern wells due to some technical issues. We are continuing work on both wells and will be testing the Frasnian section of well 41 next, as this is the horizon from which

well 40 produces. The results from the testing of the Vorobyovski horizon in well 41 & 42, which confirmed gas saturation, have led to us now drilling well 361 in the Northern area to target this horizon. Our focus remains on trying to find ways to grow production in the near term and we are working to complete our own analysis alongside the studies with PM Lucas and Schlumberger in the North East and West of the field.

GTU 3 continues to progress with hot commissioning now underway and final commissioning targeted for the end of Q3 2019. Financially the first half was positive as production was in line with expectations and product prices were higher than our budget leading to higher than forecast revenue and operating cash flow. On the strategic front we are working towards bringing the acquisition of Positive Invest to shareholders whilst at the same time working on the strategic review of our business.”

Proposed Acquisition

The Company announced on 24 June 2019 that it has agreed, subject to certain conditions, to acquire 50% of Positive Invest LLP ("Positive Invest"), which holds the subsoil use rights to the Stepnoy Leopard licences in North Western Kazakhstan, for US\$500,000. Nostrum has the right to buy the remaining 50%, subject to the satisfaction of certain additional conditions, at a price of US\$0.27 cent per boe of proven and probable reserves. The acquisition of 100% of Positive Invest is referred to in this announcement as the "Proposed Acquisition".

Management estimates that the Stepnoy Leopard licences could hold up to 452 mmboe of in place volumes of which up to 200 mmboe could be reported as Contingent Resources and over 20% estimated to be liquids. There are eight fields within the licences with over 100 wells drilled in the Soviet era which have confirmed hydrocarbons to be present. The resources are considered by management to be contingent as the licences expire in 2020. One of the conditions precedent required by Nostrum for its acquisition of the remaining 50% in Positive Invest is the extension of the licences by 25 years. In addition, Nostrum requires, as a condition precedent, the approval of a development programme which allows the raw gas from the fields to be treated in Nostrum's gas processing facilities.

The Proposed Acquisition ensures Nostrum ties in further resources in the region surrounding its gas processing facility that can be processed at the Company's gas treatment facilities. The Proposed Acquisition is structured in a two-step process. In the event that the conditions for the second step are not met then Nostrum has the right to transfer back to the sellers the 50% interest in Positive Invest and the initial consideration of US\$500,000 will be repaid to Nostrum.

The Proposed Acquisition constitutes a Class 1 Transaction under the Listing Rules and is therefore subject to, inter alia, the publication of a circular and the approval of shareholders at a general meeting of the Company. A further announcement will be made in due course.

For further information, please see the link to the announcement: [Proposed Acquisition of Oil & Gas assets in North West Kazakhstan](#)

Strategic Review

The Company announced on 24 June 2019 that its Board has commenced a strategic review to optimise its value and that of its assets, together with the consideration of appropriate sources of finance required to pursue the range of growth opportunities available to it.

Over the past 12 months, Nostrum has achieved a number of additional significant milestones. These include the mechanical completion of the GTU3 gas treatment unit, the agreement of a gas tolling contract with Ural Oil and Gas LLP, and recent exploration success in the Northern part of the Chinarevskoye licence area.

Following the successful completion of these milestones, the Company has identified a broad range of operational and strategic opportunities for the business to deliver shareholder value, some of which require the investment of further capital in the business. These options include (but are not limited to) further throughput agreements with third party gas suppliers, bolt-on acquisitions in existing and adjacent fields, farming down stakes in some assets to expedite their development, and a corporate transaction. The Company therefore announced that it is launching a process to review these operational and strategic options for Nostrum and its shareholders. No decision has been taken yet, and there can be no certainty that this review of options will result in any agreement(s) or transaction(s) being concluded.

For further information, please see the link to the announcement: [Corporate Update and Assessment of Strategic & Operational Options for Nostrum](#)

Sales volumes

The sales volumes split for H1 2019 was as follows:

Products	H1 2019 sales volumes (boepd)	H1 2019 Product Mix (%)
Crude Oil & Stabilised Condensate	10,216	34.97
LPG (Liquid Petroleum Gas)	3,901	13.36
Dry Gas	15,093	51.67
Total	29,210	100

The difference between production and sales volumes is primarily due to internal consumption of gas

H1 2019 Drilling

- As at 30 June 2019, the Company had 45 wells in production (18 oil wells and 27 gas-condensate wells).
- Drilling has been completed on the two wells in the Northern area, 41 & 42. Well 42 has encountered three horizons with gas shows during drilling. These are the Frasnian, Mullinski and Vorobyovski. The testing of the Vorobyovski and Mullinski reservoirs was completed confirming gas-condensate saturation but without commercial flow. The testing of the upper Frasnian reservoir is ongoing. During drilling of Well 41 gas shows were seen in four different

reservoirs, namely the Frasnian, Mullinski, Ardatovski and Vorobyovski. A drill stream test (DST) conducted during drilling of the Frasnian confirmed similar reservoir pressure to well 40. Following testing of the lowermost horizon, the Vorobyovski, we encountered a small leak in the Sliding Sleeve Door within the production tubing. This has caused a delay in testing the upper horizons. We are now moving ahead with testing the Frasnian section of well 41 which is the same horizon from which well 40 produces. After the testing of the Frasnian we will try to test the Mullinski and Ardatovski.

- Drilling is currently ongoing with two rigs in operation. One rig is drilling a side track into the Bashkirian oil reservoir and the other rig is drilling in the North, well 361, targeting the Vorobyovski horizon.

2019 Drilling and sales volume guidance

- With two drilling rigs we will be able to drill up to six wells during 2019.
- The location of additional wells in 2019 will be finalised once we have completed the evaluation of the first two Northern Wells.
- 2019 production guidance remains unchanged at 30,000 boepd, corresponding to sales volumes of 28,000 boepd. Given that we are not drilling in proven areas of the field there is a range of possible outcomes from the Northern wells and therefore, the above production guidance does not include any additional production from new wells planned this year.

Progress on the development of GTU3

Mechanical completion of GTU3 was achieved in December 2018. Hot commissioning is continuing with the commissioning of off-sites and utilities completed, including nitrogen, HVAC, building, fire detection, fire-fighting and flare systems. We remain on target for full commissioning of the plant before the end of Q3 2019.

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

Remaining cash spend on GTU3 (excl VAT) as at 30 June 2019	US\$22.6 million
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Release of Nostrum's H1 2019 Financial Results

Nostrum plans to release its audited consolidated accounts for H1 2019 ending 30 June 2019 on 20 August 2019.

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Further information

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

Further enquiries

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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.