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Zhaikmunai LLP

Operational and Strategic update

Uralsk, 31st March 2020

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 and Reserve Report update.

Kaat Van Hecke, Chief Executive Officer of Nostrum Oil & Gas, commented:

"In these challenging times, we remain focused on the safety of our people and have adapted our operations to ensure their continued welfare and to ensure we comply with all government guidelines in relation to COVID-19 in the countries we operate in. We are taking a prudent approach to running our business with a sharp focus on financial discipline and maintaining liquidity.

"At current oil prices we are able to cover our next coupon payment in Q3 2020 but recognise the precarious liquidity position of the Company and will therefore look to engage with our bondholders. Given the postponement of the Full Year results we are publishing the 2019 reserve report. Total reserves have reduced by 272mmboe. The reduction in reserves follows a significant amount of work carried out both internally and by third parties during 2019 to better understand the productivity of our reservoirs. We will continue to try to recover as many hydrocarbons as possible from Chinarevskoye field but the focus for filling our infrastructure has moved to obtaining more third-party volumes. This reserve downgrade will lead to a significant impairment being taken when we release our full year results."

Operational

- 2020 average daily production as at 25 March 2020 above 23,000 boepd
- 2019 average daily production of 28,587 boepd (2018: 31,254 boepd) corresponding to average daily sales volumes of 26,671 boepd (2018: 29,516 boepd)
- GTU3, the Company’s third gas treatment unit, is complete and commissioned
- Focus remains on commercializing the spare capacity in this world-class gas processing infrastructure
- 46 wells in production as at 31 December 2019 - 20 oil wells and 26 gas-condensate wells
- Drilling halted for 2020
- 2P reserves at 138 mmboe – a reduction of 66.3% (2018: 410 mmboe)

Financial

- Current cash balance as of 25 March 2020: US\$65m
- Q3 coupon payment covered at current oil prices

Strategic review and bondholder engagement

Nostrum commenced a strategic review on 24 June 2019 to optimise its value and that of its assets. A range of options, including a formal sale process (FSP) and the acquisition of Positive Invest, were evaluated and, as announced in January 2020, the Company will focus on (i) commercialising the spare capacity in its world-class gas processing infrastructure; (ii) lower-risk reservoir management and (iii) re-organising to a lower cost base. A comprehensive process was run to assess interest from potential acquirers of the Company and their ability to deliver an offer that could be recommended to shareholders. This has not led to any firm proposals being received and the Board does not believe there is merit in prolonging this process and therefore announces that the Company is no longer in a formal sales process pursuant to the Code. In addition the Board will not be presenting a shareholder circular in connection with the acquisition of Positive Invest given the current oil price environment and constraints on liquidity. As such, the Company has ceased to be in an "offer period" as defined in the Code. The disclosure requirements pursuant to Rule 8 of the Code are no longer applicable. The Company will now seek to engage with its bondholders regarding a possible restructuring of the Company's outstanding bonds.

2019 Reserve report

Please click [here for the full reserve report](#)

Gross Company Reserves as of 31st December, 2019 Chinarevskoye Field

Proved					
Fluid	Unit	Producing	Non-producing	Undeveloped	Total proved
Oil/Condensate	barrels	12,044,488	626,846	3,080,209	15,751,543
Plant products	barrels	6,772,009	487,689	1,279,685	8,539,383
Gas (after shrink)	mmcf	130,905	8,932	19,970	159,807
Gas (after shrink)	boe	24,575,963	1,676,884	3,749,146	30,001,994
Total	boe	43,392,460	2,791,419	8,109,040	54,292,920
Probable					
Fluid	Unit	Producing	Non-producing	Undeveloped	Total probable
Oil/Condensate	barrels	0	596,510	25,327,462	25,923,972
Plant products	barrels	0	555,504	11,788,401	12,343,905
Gas (after shrink)	mmcf	0	11,363	231,358	242,721
Gas (after shrink)	boe	0	2,133,277	43,434,901	45,568,179
Total	boe	0	3,285,291	80,550,764	83,836,056
Proved+Probable					
Fluid	Unit	Producing	Non-producing	Undeveloped	Total proved+probable
Oil/Condensate	barrels	12,044,488	1,223,356	28,407,671	41,675,515
Plant products	barrels	6,772,009	1,043,193	13,068,086	20,883,288
Gas (after shrink)	mmcf	130,905	20,295	251,328	402,528
Gas (after shrink)	boe	24,575,963	3,810,161	47,184,048	75,570,172
Total	boe	43,392,460	6,076,710	88,659,805	138,128,975

Source: Ryder Scott

The 31 December 2019 Ryder Scott Reserve Report, for the Chinarevskoye Field, assumes a total of 45 Interventions, including new wells are planned between 2020-2026, which together



with 46 existing producers, recover the estimated 2P reserves in the 31st December 2019 assessment. This compares to 72 interventions under the previous years' report, approximately one-third less.

The Chinarevskoye field Interventions comprise 30 new wells, 2 sidetracks, 7 workovers and 6 non-rig re-completions for a total Drilling CAPEX estimate of \$324mm, which compares with the previous 2019 estimate of \$640mm.

Current reserves estimates are shown in Table 1. The Total 1P (Proven) case for Chinarevskoye is 5.3 mmboe comprising 43.4 mmboe for Proved Developed Producing (PDP) - from 46 current wells, 8.1 mmboe for the Proved Undeveloped (PUD) category and 2.8 mmboe for Proved Developed Non-Producing (PDNP). Overall Proven volumes are down by c. 46 mmboe due to 10.8 mmboe of 2019 production plus a reduction in Condensate Yields in the Biyski-Afoninski reservoir, to reflect current observed and expected rates and a reduction in Tournasian wells and water-flood performance.

The Chinarevskoye 2P (Proven plus Probable) volume is 138 mmboe, with the majority of Probable Undeveloped Reserves associated with the development of the Biyski-Afoninski West, North-East and North-West reservoirs. The 2P volumes are reduced by 156 mmboe compared to last year's report. Offsetting some of the above reductions are inclusion of volumes for Frasnian North, Filippovski gas-condensate and the Biyski North-East low-pressure production system (LPS II).

The three fields which together make up the Trident project are now entirely classified as resources. A total of 116 mmboe Probable Reserves for Rostoshinskoye and Darinskoye in the 31/12/2018 reserves report has been moved into the Contingent Resource category pending further appraisal.

The Ryder Scott Reserves Reports as of 31 December 2019 purely looks at the economics of a possible field development to extract the maximum number of reserves at a US\$65 long-term oil price.

All of the information provided does not take into account the repayment of the company's liabilities as they come due in 2022 and 2025. It also does not take into account any short-term impact on the liquidity position of Nostrum as a result of fluctuations in the oil price.

Disclosure of inside information in accordance with Article 17 of Regulation (EU) 596/2014 (16 April 2014) relating to Zhaikmunai LLP.

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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.