nostrum Oil & Gas

Simple
Sustainable
Successful

9m 2016 Results Presentation

9m 2016 Financial Results

Financial and operational stability in a volatile and uncertain oil price environment

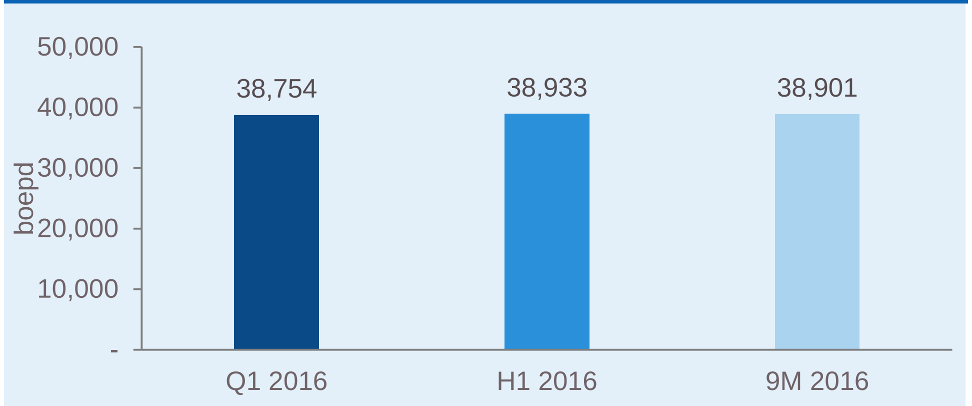
1. Stable production volumes — 38,901 boepd over the period with FY 2016 guidance of 40,000 boepd
2. Continued reduction in cost base[1] — 24% reduction in combined Opex[2], G&A and transportation costs
3. Consistently strong margins — 58% EBITDA[3] margin
4. Resilient at low oil prices — 15,000 bopd production hedged at US$49.16 / bbl with US$94.3m of cash[4]
5. Fully funded to complete GTU III and double production capacity during 2017
6. Substantial asset base — 2P reserves of 470mmboe as at 31 December 2015

Doubling production capacity to over 100,000 boepd in 2017

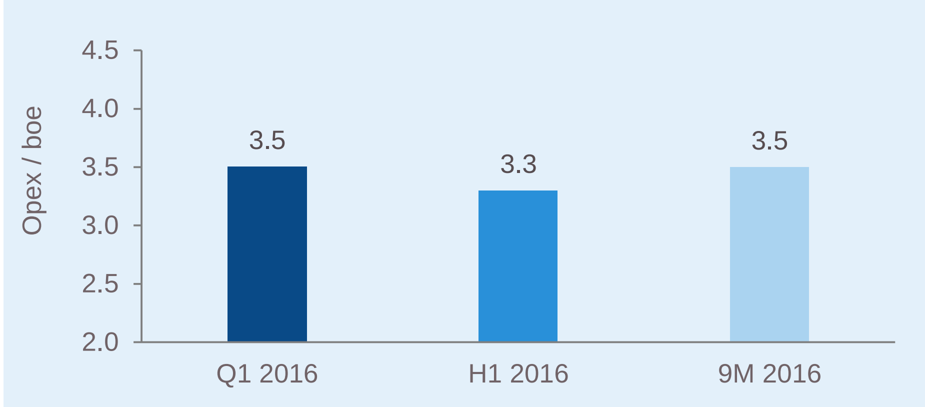
[1] Total US$m reduction compared to the comparative nine months ended 30 September 2015
[2] Opex is defined as COGS less depreciation, less royalties, less government profit share, less stock change
[3] Defined as Profit Before Tax + Finance Costs + Foreign Exchange Loss/(Gain) + ESOP + Depreciation – Interest Income + Other Expenses / (Income) + cash received from hedge
[4] Defined as Cash & Cash Equivalents excluding restricted cash

Snapshot of key figures from 9m 2016

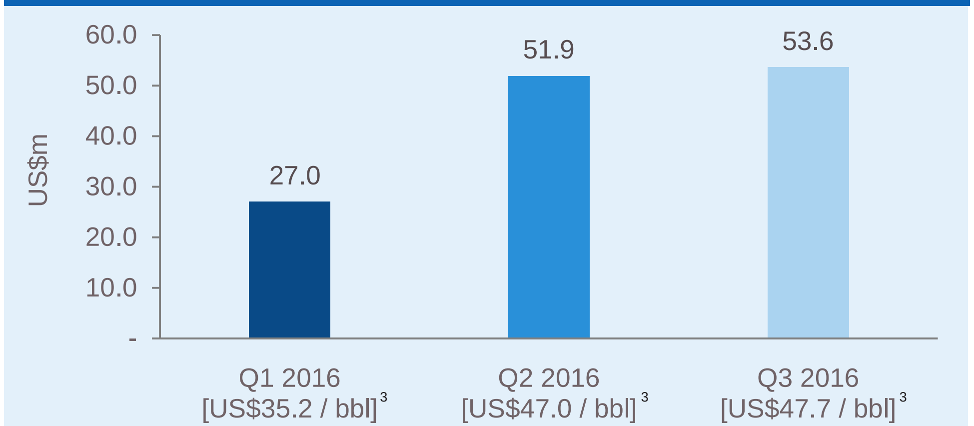
Production



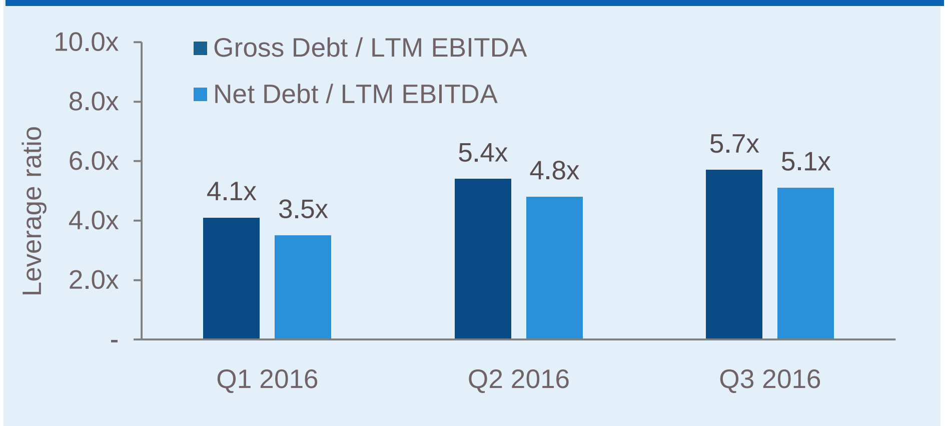
Opex / boe[2]



Net Operating Cash flows[1]



Gross debt / net debt



[1] As reported in the consolidated group cash flow statement
[2] Opex is defined as COGS less depreciation, less royalties, less government profit share, less change in stock
[3] Historical average Brent prices sourced from Bloomberg

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Capital discipline

Balance sheet

- US$94.3m cash and cash equivalents[1] on balance sheet
- US$866.8m Net debt[2]
- US$400.0m 6.375% Notes maturing in 2019 with no maintenance covenants
- US$560.0m 7.125% Notes maturing in 2019 with no maintenance covenants

Hedging programme

- 15,000 bopd hedge entered into on 14 December 2015
- Strike price of US$49.16
- Settles quarterly for eight quarters (final settlement December 2017)
- Total receipts of US$27.2m over the first three settlement periods
- Change in fair value of the hedge of US$(46.8)m over 9m 2016 as shown on the income statement – this has no impact on cash received from the hedge

Capex flexibility

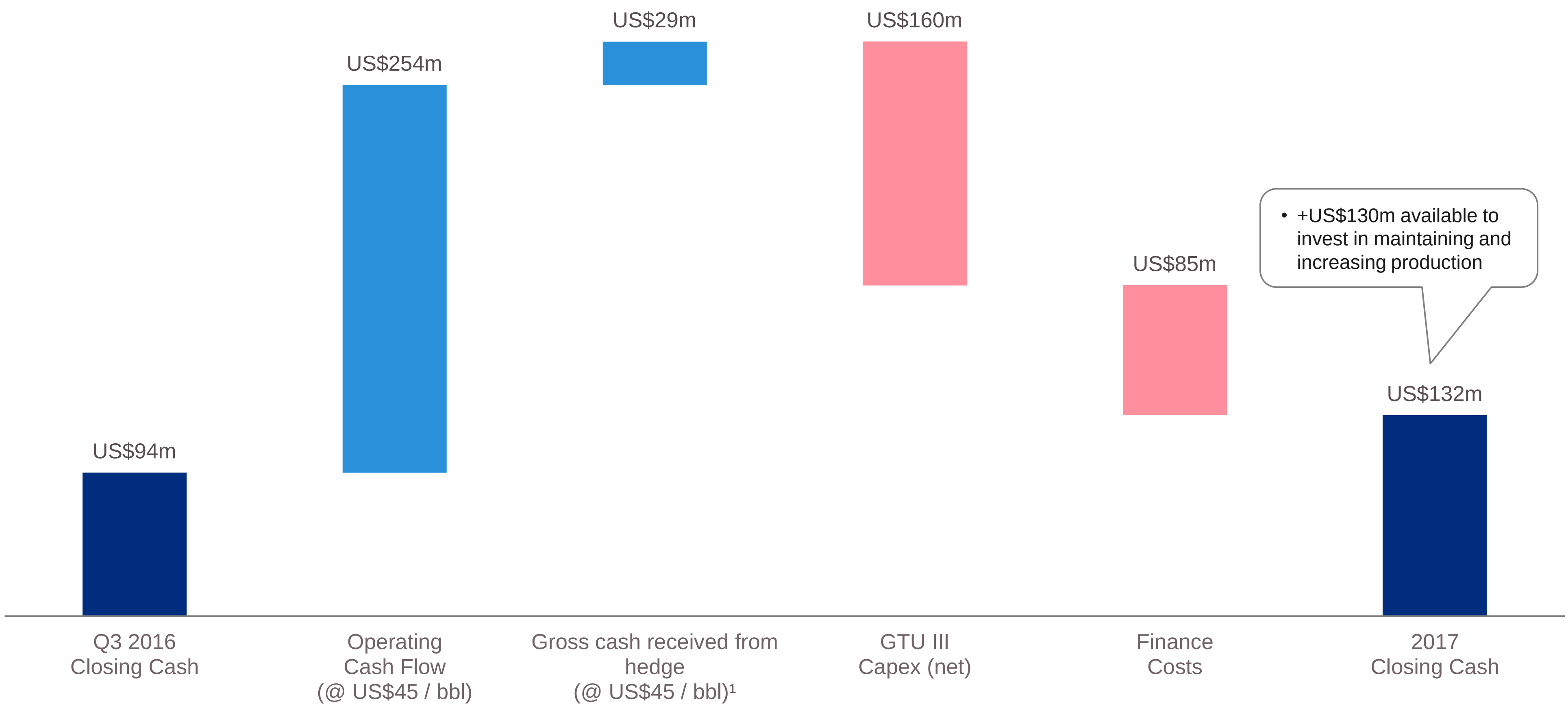
- Existing financing, hedging arrangements and cash flow from operations ensures GTU III is fully funded under any oil price scenario
- Drilling capex scalable up/down according to prevailing oil price environment and outlook

Scalable drilling

- c.US$35m of drilling capex required to maintain existing production in 2017
- c.US$55m of discretionary drilling capex in 2017

[1] Defined as Cash & Cash Equivalents excluding restricted cash
[2] Defined as Total Debt on balance sheet - Cash & Cash Equivalents

Resilience under low oil prices
– Fully funded to complete GTU III and maintain existing production in 2016 and 2017 under any oil price



[1] Hedge income taxed at non-contractual rate of 20.0% included in Operating Cash Flow

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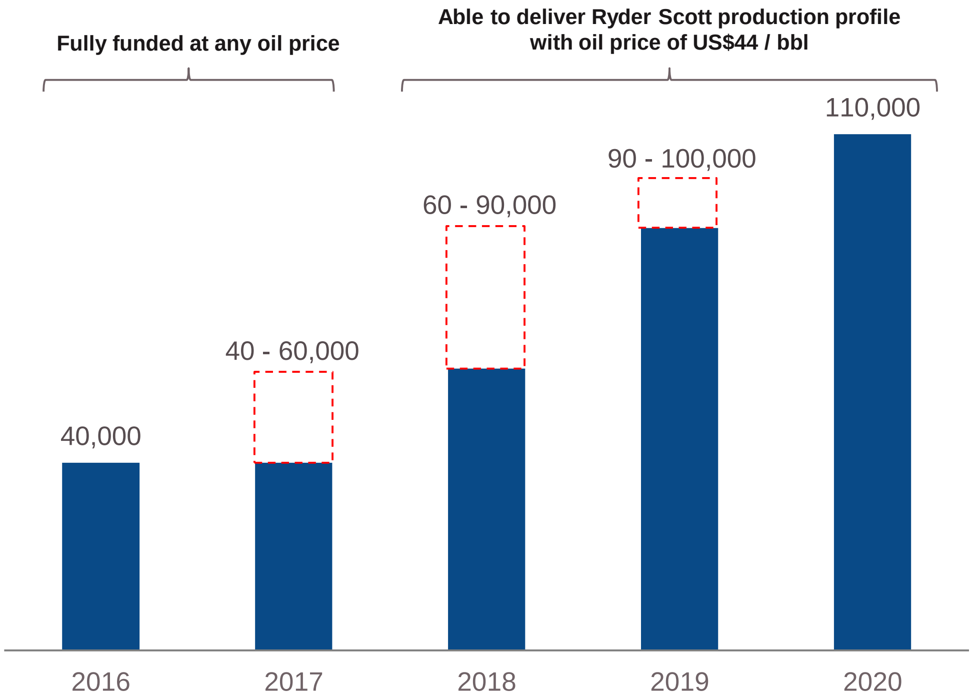
A clear path to over 100k boepd
– GTU III delivers material near term production growth



Oil price	**–**	**–**	**US$44 / bbl**	**US$44 / bbl**	**US$44 / bbl**
Drilling cost	**US$70m**	**US$90m**	**US$225m**	**US$230m**	**US$275m**

- Fully funded to complete the construction of GTU III during 2017 under any oil price scenario
- Fully funded drilling programme to maintain existing production in 2016 and 2017 under any oil price scenario
- Following the completion of GTU III during 2017, Ryder Scott production profile can be delivered under a US$44 / bbl oil price environment prior to principal debt repayments due 2019
- Drilling activity remains flexible according to the prevailing oil price environment
- A sustained improvement in the oil price environment could increase drilling activity in 2017 which would increase available feedstock for GTU III in 2018

Nostrum is fully financed to complete the construction of GTU III and has a clear path to delivering 100k boepd peak production by 2020

Source: Ryder Scott 2015 Reserve Report

9m 2016 Financial Results

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Financial Overview – 9m 2016

US$m	9m 2015	9m 2016
Revenue	374.8	245.1
EBITDA[1]	202.9	142.6
Change in fair value of the hedge	23.7	(46.8)
Profit before tax	84.6	(60.5)
Current income tax expense	(45.4)	(12.4)
Deferred income tax expense	(56.9)	8.6
Net income	(17.7)	(64.3)
Earnings per share (US$c) [2]	(10.0)	(34.7)
Capital expenditure[3]	209.0	157.7
Net cash flows from operating activities	119.4	132.5
Gross debt	953.4	961.1
Cash & cash equivalents[4]	213.6	94.3
Net debt[5]	739.8	866.8
Net debt / LTM EBITDA	2.6x	5.1x

Non-cash P&L Item

- The change in fair value of the hedge is required under accounting policy "*IFRS 9*"
- It represents the change in the carrying value of the instrument from FY 2015 to 9m 2016 which is dependent on the expected future cash flows from the hedge
- This is purely an accounting policy and does not impact the cash received from the hedge
- Nostrum will receive cash from the hedge if Brent is lower than US$49.16 / bbl for the settlement period

[1] Defined as Profit Before Tax + Finance Costs + Foreign Exchange Loss/(Gain) + ESOP + Depreciation – Interest Income + Other Expenses / (Income) + cash received from hedge

[2] Based on a weighted average no. of shares as at 9m 2015 of 184.8m and 184.8m as at 9m 2016

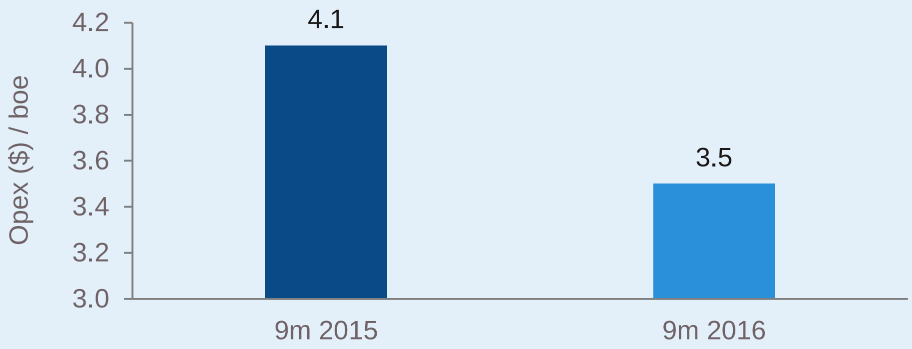
[3] Purchases (net of sales) of property, plant and equipment + purchase of exploration and evaluation assets + acquisitions

[4] Defined as Cash & Cash Equivalents excluding restricted cash

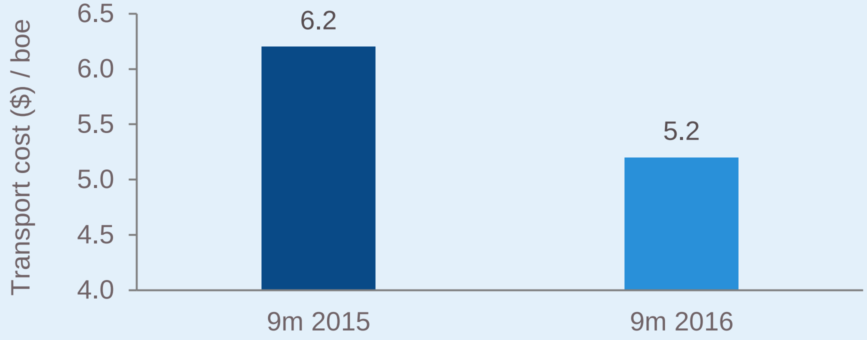
[5] Defined as Total Debt on balance sheet - Cash & Cash Equivalents

Progress – Snapshot

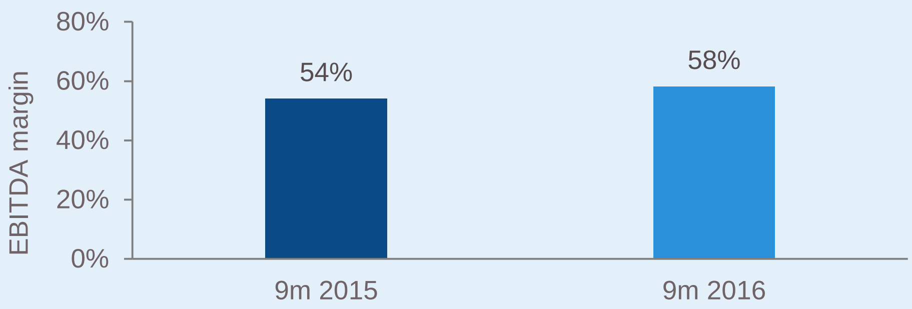
Opex / boe[1]



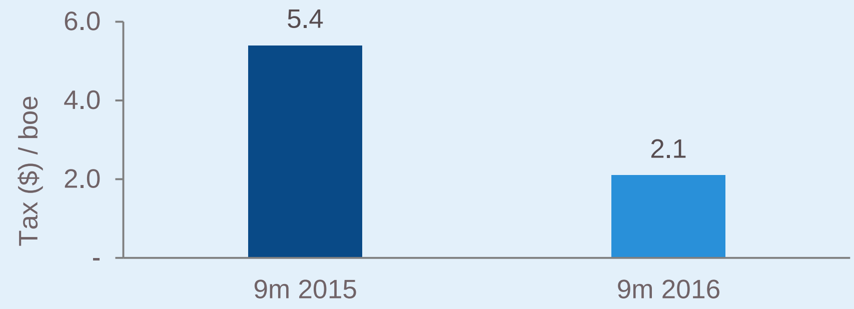
Transport costs / boe



EBITDA margin



Tax / boe[2]



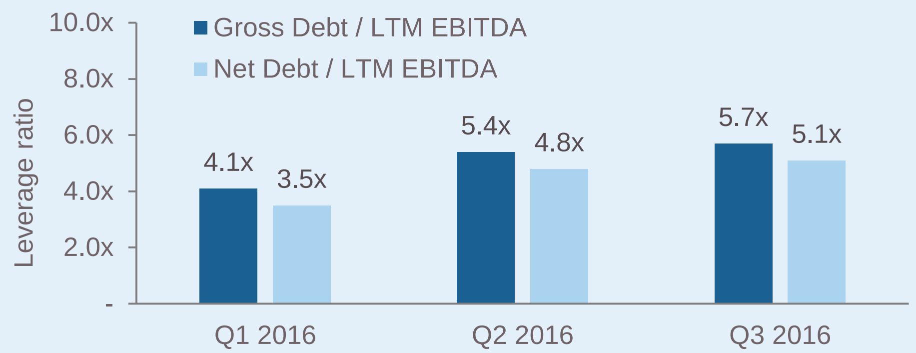
[1] Opex is defined as COGS less depreciation, less royalties, less government profit share, less change in stock
[2] Total income tax paid (cash flow) plus royalties, government profit share and export customs duty

Balance Sheet Summary

Highlights

- +58.2% EBITDA[1] margin
- US$94.3m cash & equivalents[2]
- 15,000 bopd production hedged at US$49.16 / bbl for 24 months (remaining value of c.US$130m @ US$30.0 / bbl oil price)

Gross debt / net debt



Net Debt at 3Q 2016 – US$866.8m

US$m	3Q 2016
Total debt, including:	961.1
2012 Notes (US$560m, 7.125% annual coupon)	559.5
2014 Notes (US$400m, 6.375% annual coupon)	400.2
Finance lease	1.3
Cash & cash equivalents[2]	94.3
Net Debt	866.8

Maturity profile

[1] Defined as Profit Before Tax + Finance Costs + Foreign Exchange Loss/(Gain) + ESOP + Depreciation – Interest Income + Other Expenses / (Income)

[2] Defined as Cash & Cash Equivalents excluding restricted cash

Supporting materials

Consolidated Statement of Financial Position

Interim condensed consolidated statement of financial position

As at 30 September 2016

In thousands of US dollars	Notes	30 September 2016 (unaudited)	31 December 2015 (audited)
ASSETS			
Non-current assets			
Exploration and evaluation assets	3	**40,352**	36,917
Goodwill		**32,425**	32,425
Property, plant and equipment	4	**1,781,084**	1,605,756
Restricted cash	8	**5,757**	5,375
Advances for non-current assets	5	**30,480**	130,660
Derivative financial instruments	21	**6,190**	43,005
		1,896,288	1,854,138
Current assets			
Inventories		**28,829**	28,951
Trade receivables	6	**34,086**	31,337
Prepayments and other current assets	7	**38,322**	27,411
Derivative financial instruments	21	**16,962**	54,095
Income tax prepayment		**8,687**	26,926
Cash and cash equivalents	8	**94,310**	165,560
		221,196	334,280
TOTAL ASSETS		**2,117,484**	2,188,418
EQUITY AND LIABILITIES			
Share capital and reserves	9		
Share capital		**3,203**	3,203
Treasury capital		**(1,888)**	(1,888)
Retained earnings and reserves		**708,305**	772,441
		709,620	773,756
Non-current liabilities			
Long-term borrowings	11	**941,939**	936,470
Abandonment and site restoration provision		**16,274**	15,928
Due to Government of Kazakhstan		**5,631**	5,777
Deferred tax liability		**339,147**	347,769
		1,302,991	1,305,944
Current liabilities			
Current portion of long-term borrowings	11	**19,152**	15,024
Employee share option plan liability	19	**1,961**	4,284
Trade payables	12	**43,305**	41,463
Advances received		**659**	245
Income tax payable		**1,489**	1,692
Current portion of due to Government of Kazakhstan		**1,031**	1,031
Other current liabilities	13	**37,276**	44,979
		104,873	108,718
TOTAL EQUITY AND LIABILITIES		**2,117,484**	2,188,418

Consolidated Statement of Comprehensive Income

Interim condensed consolidated statement of comprehensive income

For the nine months ended 30 September 2016

In thousands of US dollars	Notes	Three months ended 30 September 2016 (unaudited)	Three months ended 30 September 2015 (unaudited)	Nine months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2015 (unaudited)
Revenue					
Revenue from export sales		**36,853**	90,283	**173,722**	349,630
Revenue from domestic sales		**44,752**	10,432	**71,342**	25,138
	14	**81,605**	100,715	**245,064**	374,768
Cost of sales	15	**(51,333)**	(45,860)	**(145,827)**	(146,626)
Gross profit		**30,272**	54,855	**99,237**	228,142
General and administrative expenses	16	**(8,471)**	(11,613)	**(27,933)**	(36,565)
Selling and transportation expenses	17	**(18,240)**	(21,904)	**(55,504)**	(74,518)
Finance costs	18	**(11,125)**	(11,184)	**(32,315)**	(35,239)
Finance costs - reorganisation		**–**	–	**–**	(1,053)
Employee share option plan fair value adjustment	19	**340**	3,418	**2,323**	689
Foreign exchange (loss)/gain, net		**6,091**	(13,438)	**(695)**	(14,682)
(Loss)/gain on derivative financial instrument	21	**(6,021)**	27,510	**(46,750)**	23,734
Interest income		**112**	109	**353**	221
Other income		**3,223**	6,499	**7,225**	9,498
Other expenses		**(93)**	(1,465)	**(6,416)**	(15,596)
(Loss)/profit before income tax		**(3,912)**	32,787	**(60,475)**	84,631
Current income tax expense		**3,127**	(5,210)	**(12,408)**	(45,422)
Deferred income tax expense		**(7,659)**	(60,535)	**8,622**	(56,932)
Income tax expense	20	**(4,532)**	(65,745)	**(3,786)**	(102,354)
Loss for the period		**(8,444)**	(32,958)	**(64,261)**	(17,723)
Other comprehensive income that could be reclassified to the income statement in subsequent periods					
Currency translation difference		**51**	–	**144**	–
Other comprehensive income		**51**	–	**144**	–
Total comprehensive loss for the period		**(8,393)**	(32,958)	**(64,117)**	(17,723)
Loss for the period attributable to the shareholders (in thousands of US dollars)				**(64,117)**	(17,723)
Weighted average number of shares				**184,828,819**	184,828,819
Basic and diluted earnings per share (in US dollars)				**(0.35)**	(0.10)

All items in the above statement are derived from continuous operations.

Consolidated Statement of Cash Flows

Interim condensed consolidated statement of cash flows

For the nine months ended 30 September 2016

		Nine months ended 30 September	
In thousands of US dollars	Notes	2016 (unaudited)	2015 (unaudited)
Cash flow from operating activities:			
(Loss)/profit before income tax		(60,475)	84,631
Adjustments for:			
Depreciation, depletion and amortisation	15,16	99,619	85,823
Finance costs - reorganisation		–	1,053
Finance costs	18	32,315	35,239
Employee share option plan fair value adjustment		(2,323)	(689)
Interest income		(353)	(221)
Foreign exchange gain on investing and financing activities		(1,205)	(95)
Loss on disposal of property, plant and equipment		65	12
Proceeds from derivative financial instruments	21	27,198	–
Loss/(gain) on derivative financial instruments	21	46,750	(23,734)
Accrued expenses		(846)	950
Operating profit before working capital changes		140,745	182,969
Changes in working capital:			
Change in inventories		206	(2,928)
Change in trade receivables		(2,749)	(18,440)
Change in prepayments and other current assets		4,746	8,622
Change in trade payables		5,434	7,250
Change in advances received		414	(2,652)
Change in due to Government of Kazakhstan		(773)	(773)
Change in other current liabilities		(6,879)	(16,192)
Cash generated from operations		141,144	157,856
Income tax paid		(8,664)	(38,420)
Net cash flows from operating activities		132,480	119,436
Cash flow from investing activities:			
Interest received		353	221
Purchase of property, plant and equipment		(154,111)	(200,736)
Exploration and evaluation works		(3,610)	(5,962)
Acquisition of subsidiaries		–	(2,296)
Placement of bank deposits		–	(42,000)
Redemption of bank deposits		–	67,000
Loans granted		–	(5,000)
Net cash used in investing activities		(157,368)	(188,773)
Cash flow from financing activities:			
Finance costs paid		(45,561)	(45,561)
Payment of finance lease liabilities		(444)	–
Transfer to restricted cash		(382)	(220)
Distributions paid		–	(49,060)
Finance costs - reorganisation		–	(987)
Net cash used in financing activities		(46,387)	(95,828)
Effects of exchange rate changes on cash and cash equivalents		25	(1,701)
Net decrease in cash and cash equivalents		(71,250)	(166,866)
Cash and cash equivalents at the beginning of the period	8	165,560	375,443
Cash and cash equivalents at the end of the period	8	94,310	208,577

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