



# Q1 2018 Financial Results Presentation



# Q1 2018 Financial Results

## Establishing a solid platform for growth

- 1 US\$57.2 million EBITDA<sup>1</sup> generated from 30,874 boepd of sales volumes at a 60.3% margin
- 2 Cash & cash equivalents<sup>2</sup> of US\$132.3 million and net debt of US\$971.9 million as at 31 March 2018
- 3 9,000 boepd of 2018 production hedged at a price of US\$60/bbl
- 4 Cost reduction initiative already leading to lower quarter on quarter opex and G&A
- 5 5% increase in Group 2P reserves to 488 mmboe (FY 2016: 466 mmboe)
- 6 Successful refinancing of remaining bond debt with no maturities until 2022

Nostrum is well positioned to deliver its next phase of production growth

<sup>1</sup> Profit Before Tax + Finance Costs + Foreign Exchange Loss / (Gain) + ESOP + Depreciation – Interest Income + Other Expenses / (Income) + cash received from hedge

<sup>2</sup> Cash & cash equivalents including current investments but excluding restricted cash

# Sustainable strategy to grow production

1

## Delivering near term production growth

- Focus drilling on production wells in H1 2018
- Bring on a low pressure system in 2018 to extend life of older producing wells

2

## Complete GTU3 and grow reserve base

- Complete and bring on line GTU3 during 2018
- Continue appraising the Chinarevskoye Field and converting probable reserves and resources into proved reserves

3

## Exploration upside through M&A

- Seek to add reserves from surrounding licences that can fill our infrastructure beyond 2021

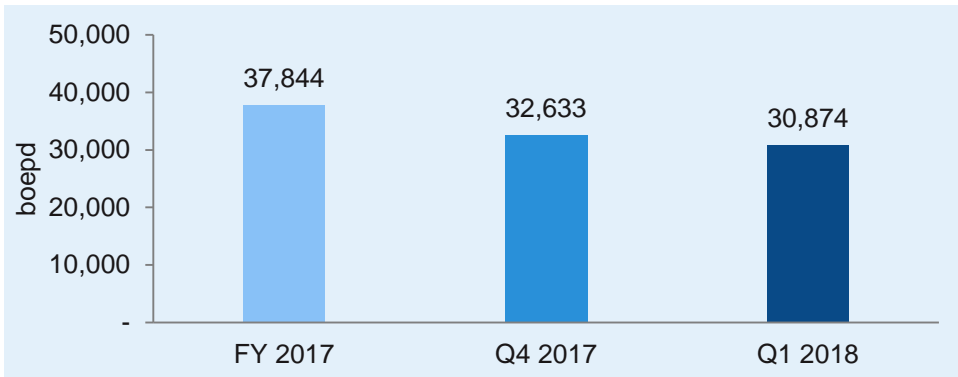
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## Linking corporate responsibility directly to the growth of the Company

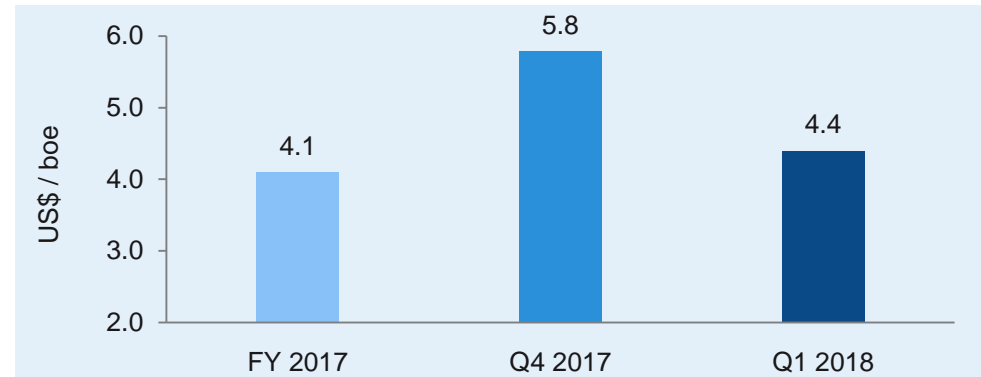
- Development of a comprehensive CSR roadmap focused on employee security and welfare, investment in community building, and environmental protection and reporting

# Snapshot of key figures from Q1 2018

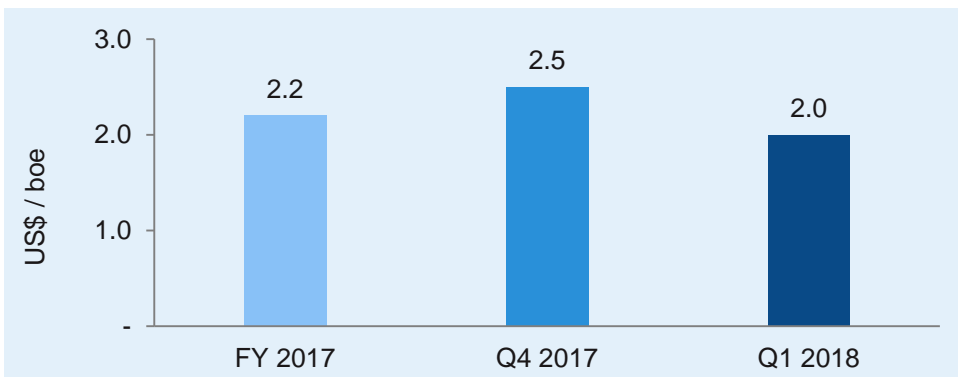
## Sales volumes



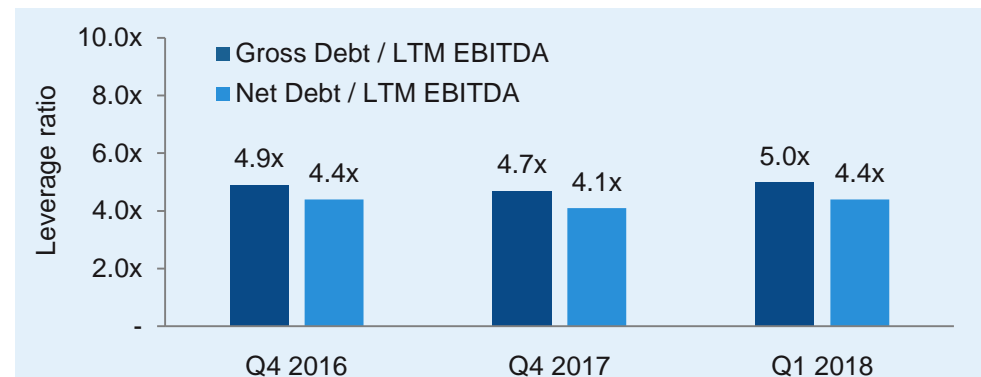
## Opex / boe<sup>1,2</sup>



## G&A costs / boe<sup>2</sup>



## Gross debt / net debt



<sup>1</sup> Opex is defined as COGS less depreciation less royalties less government profit share

<sup>2</sup> Per barrel equivalent metrics based on sales volume

# Capital discipline

## Balance sheet

- US\$132.3 million cash and cash equivalents<sup>1</sup> as at 31 March 2018.
- Net debt of US\$971.9 million as at 31 March 2018.
- Successfully refinanced remaining 2019 debt in February 2018.
- No debt maturities until 2022.

## Hedging programme

- 9,000 boepd of 2018 production hedged at a floor price of US\$60/bbl.
- US\$60/bbl put option was funded through a call spread with average strike prices of US\$64.95/bbl and US\$69.95/bbl.

## Cash flow generation

- Existing financing, hedging arrangements and cash flow from operations ensures GTU3 is fully funded under any oil price scenario.
- Following the completion of GTU3 the business will be able to generate free cash flow while growing its production in an oil price environment above US\$50/bbl.

## Cost reduction initiative

- Bring operating costs back below US\$4 per barrel during 2018.
- Bring G&A below US\$30 million for full year 2018.
- Continue to explore ways to further reduce drilling costs.

<sup>1</sup> Cash & cash equivalents including current investments but excluding restricted cash

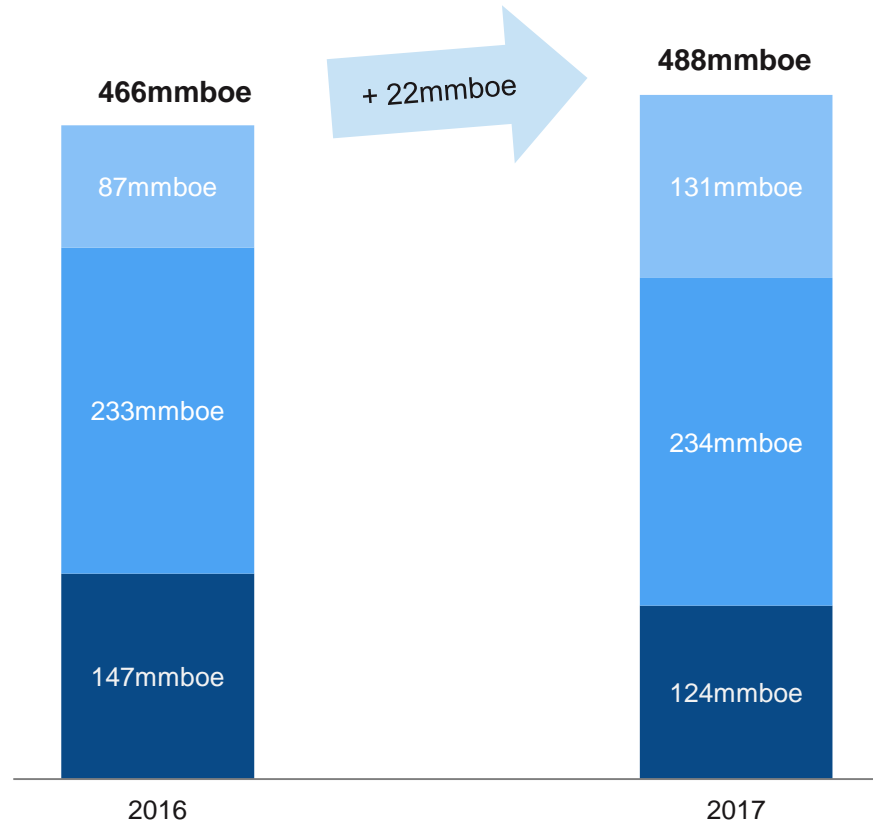
# 2018 Drilling and production plan

- Drill four production wells in Chinarevskoye field in proven area of Biski North East reservoir
  - Looking at solutions to recover first well that encountered water
  - Second well to come on line in H1
  - Third and fourth wells to come on line in Q3
- Drill one well in western area of Biski reservoir to unlock 100 million barrels of 2P reserves
- Continue appraising Northern Area following completion of well 40 deepening
  - Put well 40 under long term test
  - Consider drilling a further well in Northern area
- Production guidance for the year is adjusted down to take in to account the approximately 3,000 boepd anticipated from the first well that found water. We therefore expect to produce plant products before own use of 34,000 boepd for the year and assuming roughly 2,000 boepd of own use, sales volumes are expected to be 32,000 boepd for the year on average

**Drilling plan to be focused on increasing near-term production**

# 2018 Ryder Scott Reserves Report

■ Chinarevskoye - Proven ■ Chinarevskoye - Probable ■ Trident - Probable



- 358mmboe 2P reserves at the Chinarevskoye field
  - Proven – 124mmboe
  - Probable – 234mmboe
- 22.9mmboe decrease in proven reserves due to:
  - 14mmboe of production during 2017; and
  - The loss of two producing wells in the Biyski gas condensate reservoir
- 131mmboe of 2P reserves at the Trident fields as at 1 January 2018
  - + 44mmboe in 2P reserves following the successful appraisal of the ROS-3 well
- Contingent resources – 235mmboe
  - 184.2mmboe at the Chinarevskoye field; and
  - 50.7mmboe at the Trident fields
- Remaining reserve life of +10 years with GTU III running at full capacity

Nostrum has a substantial reserve base to feed its processing facilities

# Chinarevskoye 2P reserves by reservoir and Trident reserves

Reservoir	01-Jan-17	2017 Production (mmboe)	01-Jan-18	Change net of production
Tournaisian Northeast Tournaisian West	46.3	3.2	38.3	(4.8)
Tournaisian South	1.8	0.1	1.7	(0.0)
Bashkirian NE+W	6.9	0.3	6.6	(0.0)
Biski/Afoninski NE+NW	158.5	10.1	144.8	(3.6)
Biski/Afoninski West	95.3	0.1	92.3	(2.9)
Mullinski South+ Ardatovski South	10.5	0.0	6.1	(4.4)
Mullinski Northeast+North	41.7	0.3	49.8	8.4
Ardatovski Northeast	18.3	0.2	18.1	(0.0)
<b>Total Chinarevskoye</b>	<b>379.3</b>	<b>14.3</b>	<b>357.6</b>	<b>(7.4)</b>
<b>Total Trident</b>	<b>87.2</b>	<b>0.0</b>	<b>130.7</b>	<b>43.5</b>
<b>Chinarevskoye+Trident</b>	<b>466.5</b>	<b>14.3</b>	<b>488.4</b>	<b>36.2</b>



# Q1 2018 Financial Results



# Financial Overview – Q1 2018

US\$m	Q4 2017	Q1 2018
Revenue	101.8	94.8
EBITDA <sup>1</sup>	60.7	57.2
Profit before tax	16.5	2.5
<i>Current income tax expense</i>	19.5	(0.5)
<i>Deferred income tax expense</i>	(36.0)	1.6
Net income	(0.0)	3.6
Earnings per share (USc) <sup>2</sup>	(0.5)	2.0
Capital expenditure <sup>3</sup>	57.9	51.9
Net cash flows from operating activities	47.6	56.0

US\$m	Q4 2017	Q1 2018
Gross debt	1,087.9	1,104.1
Cash & cash equivalents <sup>4</sup>	127.0	132.3
Net debt <sup>5</sup>	960.9	971.9
Net debt / LTM EBITDA	4.1x	4.4x

<sup>1</sup> Profit Before Tax + Finance Costs + Foreign Exchange Loss / (Gain) + ESOP + Depreciation – Interest Income + Other Expenses / (Income) + cash received from hedge

<sup>2</sup> Based on a weighted average no. of shares as at Q1 2018 of 185.2m and as at Q4 2017 of 185.1m.

<sup>3</sup> Purchases (net of sales) of property, plant and equipment + purchase of exploration and evaluation assets + acquisitions

<sup>4</sup> Cash & cash equivalents including current investments but excluding restricted cash

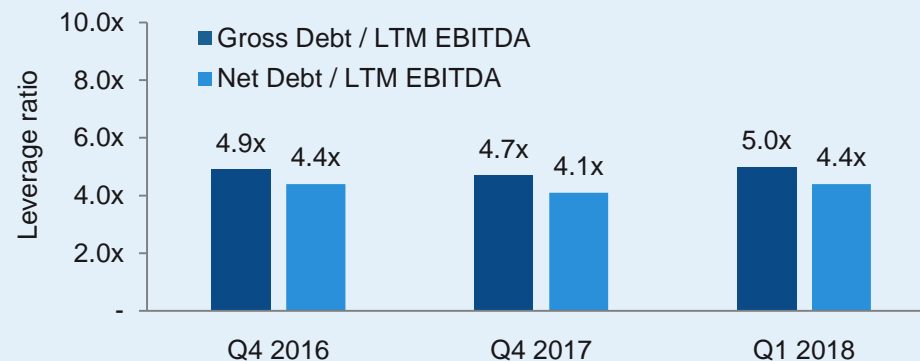
<sup>5</sup> Net Debt is defined as the gross debt less cash and cash equivalents including current investments

# Balance Sheet Summary

## Highlights

- US\$132.3 million cash & equivalents<sup>1</sup>
- Successful refinancing of remaining bond debt with no maturities until 2022<sup>2</sup>
- 9,000 boepd hedged at US\$60/bbl floor until the end 2018

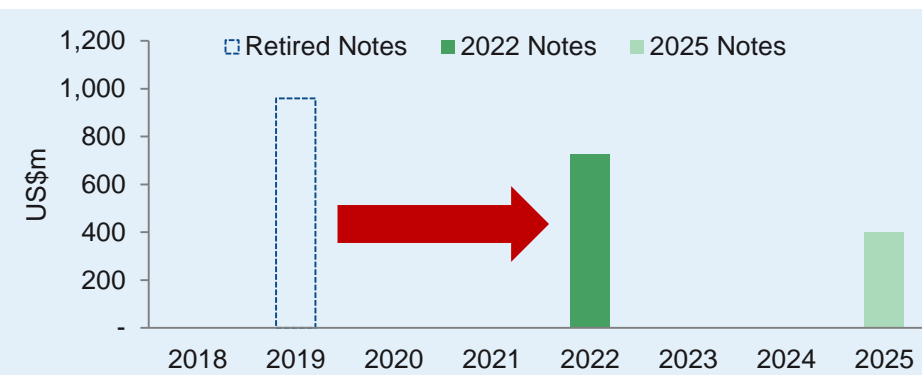
## Gross debt / net debt



## Net Debt at 31 March 2018 – US\$971.9m

US\$m	Q1 2018
Total debt, including:	1,104.1
2022 Notes (8.000% coupon)	709.2
2025 Notes (7.000% coupon)	394.2
Finance lease liability	0.8
Cash & cash equivalents <sup>1</sup>	(132.3)
<b>Net Debt</b>	<b>971.9</b>

## Maturity profile of current debt



<sup>1</sup> Cash & cash equivalents including current investments but excluding restricted cash

<sup>2</sup> US\$725m bond issued during FY 2017 financial year with repayment due in 2022 and US\$400m issued in February 2018 with repayment due in 2025.

## Supporting materials



# Consolidated Statement of Financial Position

## Interim condensed consolidated statement of financial position

<i>In thousands of US dollars</i>	Notes	31 March 2018 (unaudited)	31 December 2017 (audited)
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation assets	4	48,036	47,828
Goodwill		32,425	32,425
Property, plant and equipment	5	1,968,200	1,941,894
Restricted cash	9	6,810	6,663
Advances for non-current assets	6	16,860	14,598
<b>Total Non-current assets</b>		<b>2,072,331</b>	<b>2,043,408</b>
<b>CURRENT ASSETS</b>			
Inventories		32,395	29,746
Trade receivables	7	33,585	34,520
Prepayments and other current assets	8	26,309	27,103
Income tax prepayment		7,584	3,380
Cash and cash equivalents	9	132,257	126,951
<b>Total Current assets</b>		<b>232,130</b>	<b>221,700</b>
<b>TOTAL ASSETS</b>		<b>2,304,461</b>	<b>2,265,108</b>
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	10	3,203	3,203
Treasury capital		(1,660)	(1,660)
Retained earnings and reserves		679,967	668,010
<b>Total Share capital and reserves</b>		<b>681,510</b>	<b>669,553</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	12	1,089,882	1,056,541
Abandonment and site restoration provision		23,671	23,590
Due to Government of Kazakhstan		5,280	5,466
Deferred tax liability	22	382,938	381,595
<b>Total Non-current liabilities</b>		<b>1,501,771</b>	<b>1,467,192</b>
<b>CURRENT LIABILITIES</b>			
Current portion of long-term borrowings	12	14,267	31,337
Employee share option plan liability	21	1,630	2,086
Trade payables	13	56,447	56,855
Advances received		333	1,279
Income tax payable		119	499
Derivative financial instruments		4,220	-
Current portion of due to Government of Kazakhstan		1,031	1,031
Other current liabilities	14	43,133	35,276
<b>Total Current liabilities</b>		<b>121,180</b>	<b>128,363</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,304,461</b>	<b>2,265,108</b>

# Consolidated Statement of Comprehensive Income

## Interim condensed consolidated statement of comprehensive income

<i>In thousands of US dollars</i>	Notes	Three months ended 31 March	
		2018 (unaudited)	2017 (unaudited, restated*)
<b>Revenue</b>			
Revenue from export sales		70,022	79,167
Revenue from domestic sales		24,743	32,702
	15	94,765	111,869
<b>Cost of sales</b>	16	(41,410)	(44,457)
<b>Gross profit</b>		53,355	67,412
General and administrative expenses	17	(5,941)	(8,923)
Selling and transportation expenses	18	(13,105)	(15,536)
Taxes other than income tax	19	(6,742)	(5,387)
Finance costs	20	(19,137)	(10,229)
Employee share options - fair value adjustment	21	456	(18)
Foreign exchange gain, net		76	1,860
Loss on derivative financial instruments	23	(4,220)	(790)
Interest income		83	89
Other income		1,197	435
Other expenses		(3,561)	(2,757)
<b>Profit before income tax</b>		2,461	26,156
Current income tax expense		(451)	(16,090)
Deferred income tax benefit		1,622	3,672
<b>Income tax benefit / (expense)</b>	22	1,171	(12,418)
<b>Profit for the period</b>		3,632	13,738
Other comprehensive income that could be reclassified to the income statement in subsequent periods			
Currency translation difference		-	116
<b>Other comprehensive income</b>		-	116
<b>Total comprehensive income for the period</b>		3,632	13,854
Profit for the period attributable to the shareholders (in thousands of US dollars)		3,632	13,738
Weighted average number of shares		185,234,079	185,068,917
Basic and diluted earnings per share (in US dollars)		0.02	0.07

# Consolidated Statement of Cash Flows

## Interim condensed consolidated statement of cash flows

<i>In thousands of US dollars</i>	Notes	Three months ended 31 March	
		2018 (unaudited)	2017 (unaudited, restated*)
<b>Cash flow from operating activities:</b>			
Profit before income tax		2,461	26,156
<i>Adjustments for:</i>			
Depreciation, depletion and amortisation	16,17	29,611	32,243
Finance costs	20	19,137	10,229
Employee share option plan fair value adjustment		(456)	18
Interest income		(83)	(89)
Net foreign exchange differences		(75)	(1,013)
Loss on disposal of property, plant and equipment		28	9
Loss on derivative financial instruments	23	4,220	790
Accrued expenses		227	485
<b>Operating profit before working capital changes</b>		<b>55,070</b>	<b>68,828</b>
<i>Changes in working capital:</i>			
Change in inventories		(2,449)	199
Change in trade receivables		935	2,016
Change in prepayments and other current assets		3,291	219
Change in trade payables		3,327	1,703
Change in advances received		(946)	217
Change in due to Government of Kazakhstan		(443)	(516)
Change in other current liabilities		2,313	1,419
Payments under Employee share option plan		–	(1,162)
<b>Cash generated from operations</b>		<b>61,098</b>	<b>72,923</b>
Income tax paid		(5,132)	(4,760)
<b>Net cash flows from operating activities</b>		<b>55,966</b>	<b>68,163</b>
<b>Cash flow from investing activities:</b>			
Interest received		83	89
Purchase of property, plant and equipment		(51,742)	(35,719)
Exploration and evaluation works	4	(133)	(890)
Loans granted		–	(246)
<b>Net cash used in investing activities</b>		<b>(51,792)</b>	<b>(36,766)</b>
<b>Cash flow from financing activities:</b>			
Finance costs paid		(38,111)	(12,749)
Issue of notes		397,280	–
Repayment of notes		(353,192)	–
Fees and premium paid for early repayment and on arrangement of notes		(4,579)	–
Treasury shares sold		–	1,853
Payment of finance lease liabilities		(60)	(155)
Transfer to restricted cash		(146)	(149)
<b>Net cash from/(used in) financing activities</b>		<b>1,192</b>	<b>(11,200)</b>
Effects of exchange rate changes on cash and cash equivalents		(60)	1,434
<b>Net increase in cash and cash equivalents</b>		<b>5,306</b>	<b>21,631</b>
Cash and cash equivalents at the beginning of the period	9	126,951	101,134
<b>Cash and cash equivalents at the end of the period</b>	<b>9</b>	<b>132,257</b>	<b>122,765</b>

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