



# Financial Results Presentation

9M 2018



## Operations stabilised with strong cash flow during 9M 2018

- 1 Revenue of US\$311m (9M 2017: US\$304m) from 9M average daily sales volumes of 30,523 boepd (9M 2018 average production: 31,757 boepd)
- 2 EBITDA<sup>1</sup> of US\$188m (9M 2017: US\$172m) and EBITDA<sup>1</sup> margin of 60% (9M 2017: 57%)
- 3 Cash position of US\$102.4m<sup>2</sup> and net debt of US\$1,005.0m as at 30 September 2018 (US\$64m of Q3 product sales receivables due in October)
- 4 Binding agreement to purchase and process third-party hydrocarbons delivered by Ural Oil & Gas LLP (“UOG”)
- 5 Mechanical completion of GTU3 targeted for end of December, full commissioning expected during 2019 at an additional cost of US\$30m
- 6 Reduce number of drilling rigs from three to two in H2 2019 while technical study of Biyski North-East and West are completed
- 7 2019 average daily base production expected to be above 30,000 boepd and average daily sales volumes expected to be above 28,000 boepd

## Capital discipline key focus for 2019 while challenges at Chinarevskoye are resolved

<sup>1</sup> Defined as the results of operating activities before depreciation and amortisation, share-based compensation, fair value gains and losses on derivative instruments, foreign exchange losses, finance costs, finance income, non-core income or expenses and taxes, and includes any cash proceeds received or paid out from hedging activity

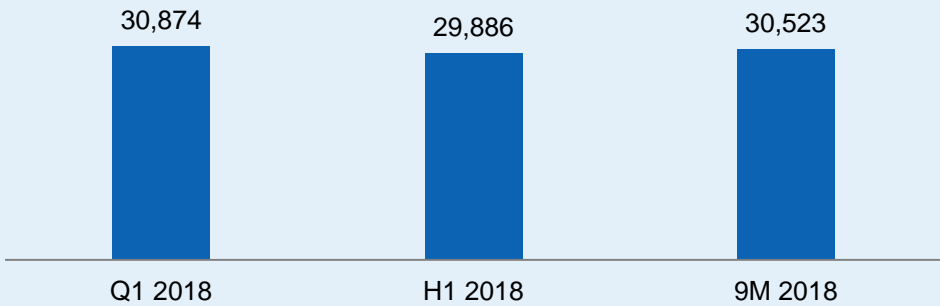
<sup>2</sup> Cash & cash equivalents including current investments and restricted cash

# Snapshot of key figures from 9M 2018

## Tight control of costs

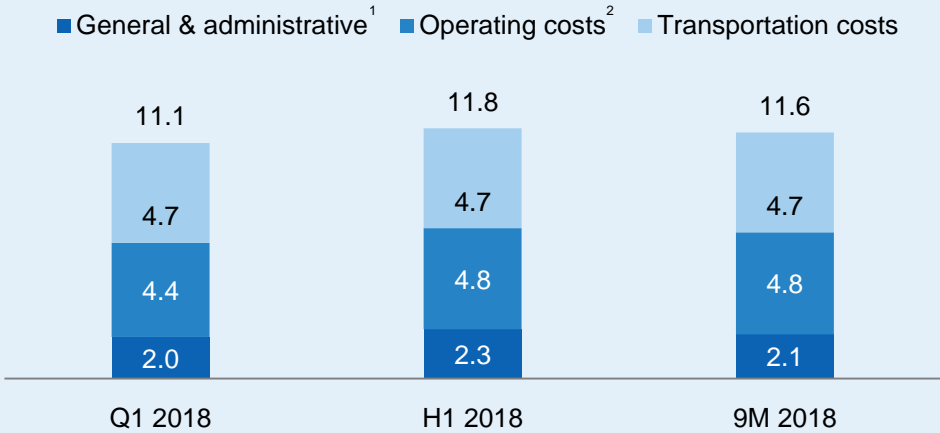
### Sales volumes stabilised [boepd]

- Sales volumes stabilised during 9M 2018 at above 30,000 boepd
  - Well 40 test production (currently awaiting licence extension)
  - Well 201 brought online in July
  - First quarter-on-quarter increase in sales since Q1 2017
- Full year 2018 sales volumes expected to be above 30,000 boepd



### Operating costs under control [US\$ / boe]

- Continued focus on cost reduction in 2018
  - Total General & administrative expense below US\$25m
  - Total Operating costs below US\$60m
  - Proactively managing netbacks across our sales products
- Stable operating cash flow margins
  - +US\$200m operating cash flow expected for FY 2018



Note: Per barrel equivalent metrics based on sales volume  
<sup>1</sup> General & administrative costs less depreciation  
<sup>2</sup> Operating costs are defined as COGS less depreciation less royalties less government profit share

# Strong liquidity position

## Focus on capital preservation

### Balance sheet

- US\$102.4m<sup>1</sup> cash and cash equivalents as at 30 September 2018
  - Q3 closing cash balance affected by large receivables balance
  - Over US\$130m<sup>1</sup> cash and equivalents as at 9 November 2018
- Net debt of US\$1,005.0m<sup>1</sup> as at 30 September 2018
- No debt maturities until 2022

### Cash flow generation

- +60% EBITDA margin during 9M 2018
- Expect to generate +US\$200m operating cash flow during 2018
- Continued focus to realise cost savings in 2019 post commissioning of GTU3

### Hedging programme

- Currently have 9,000 boepd hedged at a floor price of US\$60/bbl
  - YE 2018 expiry
- Company will assess market conditions and look at options for hedging in FY 2019

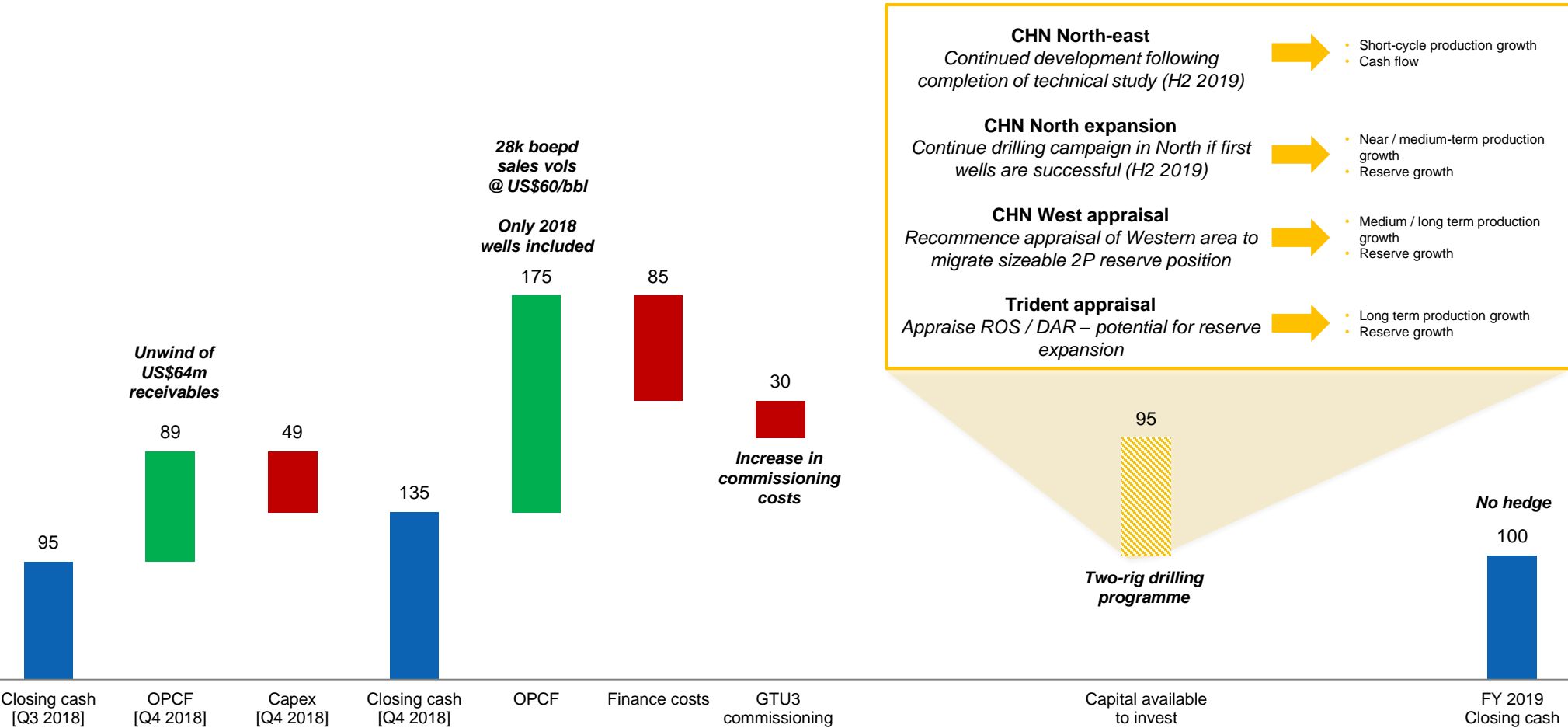
### Drilling programme

- Reduced drilling programme to two rigs for 2019
- 2019 campaign to focus on developing discoveries in Northern area at Chinarevskoye
- Continue to develop existing producing reservoirs at Chinarevskoye following completion of technical study (Q3 2019)

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

# Cash bridge to YE 2019

**Strong liquidity position @ US\$60/bbl with cash generation from existing production**



- CHN North-east**  
Continued development following completion of technical study (H2 2019)
  - Short-cycle production growth
  - Cash flow
- CHN North expansion**  
Continue drilling campaign in North if first wells are successful (H2 2019)
  - Near / medium-term production growth
  - Reserve growth
- CHN West appraisal**  
Recommence appraisal of Western area to migrate sizeable 2P reserve position
  - Medium / long term production growth
  - Reserve growth
- Trident appraisal**  
Appraise ROS / DAR – potential for reserve expansion
  - Long term production growth
  - Reserve growth

**Maintain minimum US\$100m of cash<sup>1</sup> throughout 2019**

Note: OPCF = net cash flows from operating activities  
<sup>1</sup> Figures shown for cash & cash equivalents include current investments but exclude restricted cash balances

# Overview of Chinarevskoye field

## Fields within a field

### North

- No current reserves
- Successful discovery with Well 40
- Successful open hole production test during 2018
  - +2,000 boepd production with c.1,500 boepd of condensate
- Well 40 currently shut-in pending licence extension
- Area to be focus of H1 2019 drilling campaign

### North-East

- 75 wells drilled since 2007 with no dry holes
- Over 100mmboe sold over that period
- Overall, the North-east area currently contributes over 90% of Group sales volumes
- Over 65% of Group sales volumes come from 14 gas condensate wells
- Majority of current proven reserves (+95%)
- Further development following technical study (H2 2019)

### West

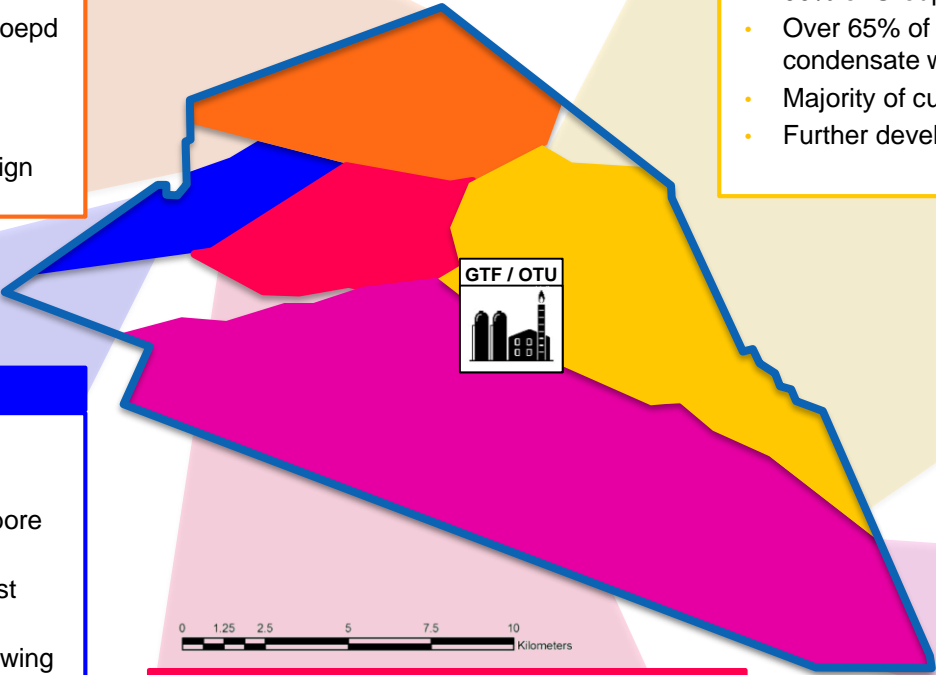
- No production to date
- Large portion of probable reserves (+35%)
- Well 234 currently on hold following a wellbore collapse
- Technical review underway to establish best way forward
- Further appraisal activities to continue following conclusion of investigation

### North-West

- Small amount of production
- Small amount of probable reserves

### South

- Very small proportion of production and reserves



Note: Map is shown for indicative purposes only  
 Source: Ryder Scott Reserve Report (Jan-18)

# 2019 drilling programme (Chinarevskoye)

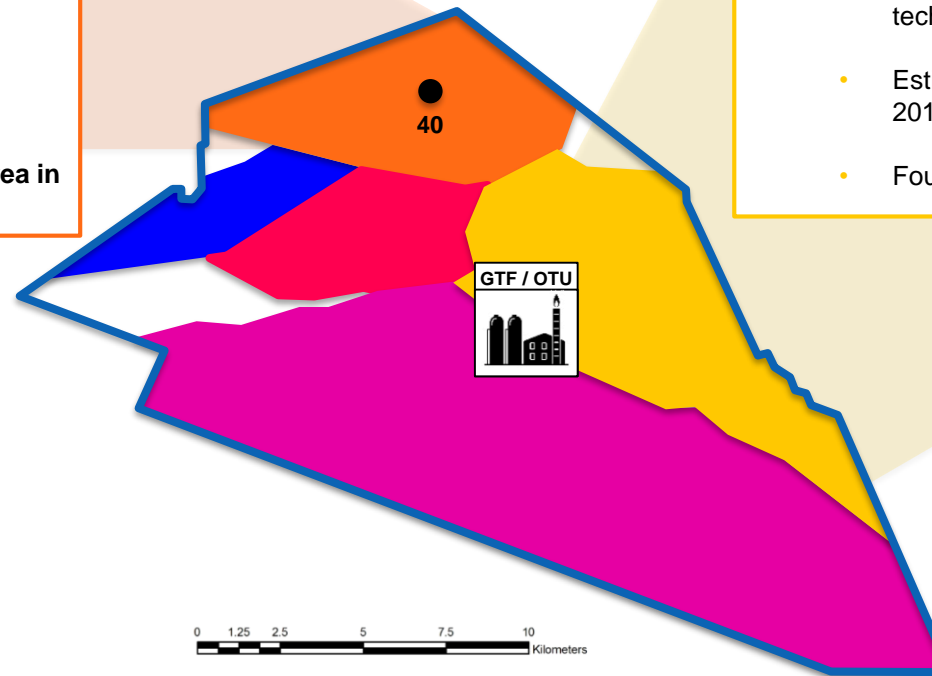
*Allocate capital to maintain existing production and de-risk future production growth*

## North

- H1 2019 drilling activity to focus on drilling two wells in Northern area**
  - Further appraise well 40 and well 724 discovery
  - Additional production
- Following success of initial wells, continue to drill wells in Northern area in H2 2019**

## Biyski North-east

- Approach to further development of core area to be decided following technical study**
  - Following reservoir challenges during 2017/18, a technical study is underway
  - Estimated completion of technical analysis H2 2019
  - Four production wells drilled in 2018



**Base production from 2018 well stock expected to average 30,000 boepd during 2019**

Note: Map and well positions are shown for indicative purposes only  
Source: Ryder Scott Reserve Report (Jan-18)

# Key focus areas for 2019

## 1 Production

- Maintain production above an average of 30,000 boepd assuming only wells drilled in 2018 are producing
- Bring additional appraisal wells on line during 2019 to start to build production
- Further appraise Northern area discoveries to fully assess potential for future development and production

## 2 Cost base

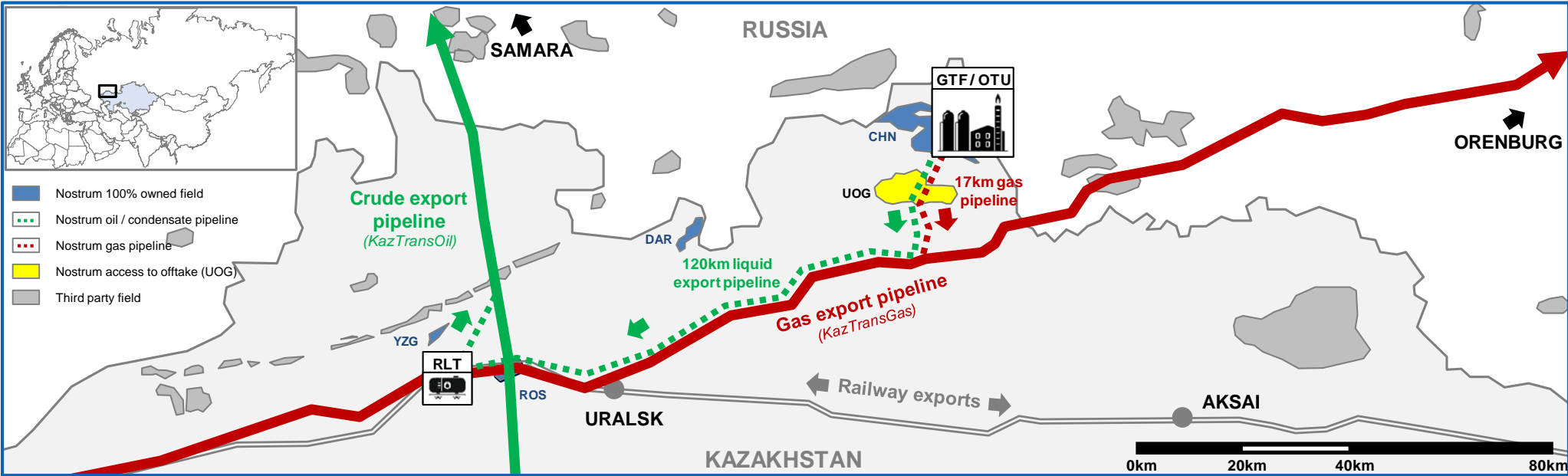
- Further reduction of operating cost base to improve operating cash flow margins
- Preserve capital while challenges at Chinarevskoye are resolved

## 3 Infrastructure leverage

- Fully commission GTU3 facility in 2019 with additional commissioning cost of US\$30m to be paid in 2019
- Capitalise on value of infrastructure to grow our access to additional hydrocarbons in the region



# An infrastructure hub in North-western Kazakhstan



2019 base sales volumes guidance

28k boepd

Top-to-tail infrastructure footprint (100% owned)

Gas processing capacity 4.2bcm<sup>1</sup> p.a.

Multiple sources of gas to fill our plants

Chinarevskoye (100%)

Trident fields (100%)

Ural Oil & Gas (offtake)

Regional stranded gas 'without a home'

Nostrum has a unique market position in a resource rich region

<sup>1</sup> Raw gas processing capacity of GTU1 & 2 and GTU 3

# Supporting materials



# Consolidated Statement of Financial Position

## Interim condensed consolidated statement of financial position

### As at 30 September 2018

<i>In thousands of US dollars</i>	Notes	30 September 2018 (unaudited)	31 December 2017 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Exploration and evaluation assets	4	49,891	47,828
Goodwill		32,425	32,425
Property, plant and equipment	5	2,020,559	1,941,895
Restricted cash	9	6,939	6,663
Advances for non-current assets	6	11,442	14,598
		2,121,256	2,043,409
<b>Current assets</b>			
Inventories		27,836	29,746
Trade receivables	7	72,439	34,520
Prepayments and other current assets	8	22,031	27,103
Income tax prepayment		3,945	3,380
Current investments		45,000	–
Cash and cash equivalents	9	50,498	126,951
		221,749	221,700
<b>TOTAL ASSETS</b>		<b>2,343,005</b>	<b>2,265,109</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Share capital	10	3,203	3,203
Treasury capital		(1,660)	(1,660)
Retained earnings and reserves		688,111	668,010
		689,654	669,553
<b>Non-current liabilities</b>			
Long-term borrowings	12	1,093,179	1,056,541
Abandonment and site restoration provision		24,458	23,590
Due to Government of Kazakhstan		5,280	5,466
Deferred tax liability		424,600	381,596
		1,547,517	1,467,193
<b>Current liabilities</b>			
Current portion of long-term borrowings	12	14,267	31,337
Employee share option plan liability	21	805	2,086
Trade payables	13	45,267	56,855
Advances received		263	1,279
Income tax payable		119	499
Derivative financial instruments	23	9,031	–
Current portion of due to Government of Kazakhstan		1,031	1,031
Other current liabilities	14	35,051	35,276
		105,834	128,363
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,343,005</b>	<b>2,265,109</b>

# Consolidated Statement of Comprehensive Income

## Interim condensed consolidated statement of comprehensive income

For the three and nine months ended 30 September 2018

<i>In thousands of US dollars</i>	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 (unaudited)	2017 (unaudited, restated*)	2018 (unaudited)	2017 (unaudited, restated*)
<b>Revenue</b>					
Revenue from export sales		96,566	50,009	241,437	192,414
Revenue from domestic sales		23,348	43,684	69,971	111,300
	15	119,914	93,693	311,408	303,714
<b>Cost of sales</b>	16	(43,020)	(42,796)	(125,786)	(131,194)
<b>Gross profit</b>		76,894	50,897	185,622	172,520
General and administrative expenses	17	(5,202)	(8,996)	(18,739)	(25,602)
Selling and transportation expenses	18	(13,505)	(14,934)	(39,184)	(52,016)
Taxes other than income tax	19	(8,730)	(4,537)	(23,113)	(15,303)
Finance costs	20	(8,733)	(27,327)	(37,939)	(47,389)
Employee share options - fair value adjustment	21	(403)	1,304	1,281	632
Foreign exchange loss, net		(600)	(3,385)	(731)	(435)
Loss on derivative financial instruments	23	(1,164)	(6,934)	(13,126)	(6,627)
Interest income		58	137	198	305
Other income		912	928	2,331	2,741
Other expenses		969	(12,854)	(4,185)	(20,013)
<b>Profit/(loss) before income tax</b>		40,496	(25,701)	52,415	8,813
Current income tax benefit / (expense)		(194)	(6,233)	21	(33,418)
Deferred income tax benefit / (expense)		(25,950)	(6,036)	(39,991)	(2)
<b>Income tax expense</b>	22	(26,144)	(12,269)	(39,970)	(33,420)
<b>Profit/(loss) for the period</b>		14,352	(37,970)	12,445	(24,607)
Other comprehensive income that could be reclassified to the income statement in subsequent periods					
Currency translation difference		(678)	688	(669)	804
<b>Other comprehensive (loss)/income</b>		(678)	688	(669)	804
<b>Total comprehensive income/(loss) for the period</b>		13,674	(37,282)	11,776	(23,803)
Profit/(loss) for the period attributable to the shareholders (in thousands of US dollars)				11,776	(23,803)
Weighted average number of shares				185,234,079	185,068,917
Basic and diluted earnings per share (in US dollars)				0.06	(0.13)

\* Certain amounts shown here do not correspond to the interim condensed consolidated financial statements for the nine months ended 30 September 2017 and reflect adjustments made, please refer to Note 3 for more details.

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 2018

<i>In thousands of US dollars</i>	Notes	Nine months ended 30 September	
		2018 (unaudited)	2017 (unaudited, restated*)
<b>Cash flow from operating activities:</b>			
Profit before income tax		52,415	8,813
<i>Adjustments for:</i>			
Depreciation, depletion and amortisation	16,17	87,235	93,358
Finance costs	20	37,939	47,389
Employee share option plan fair value adjustment		(1,281)	(652)
Interest income		(198)	(305)
Foreign exchange gain on investing and financing activities		(901)	(1,766)
Impairment of property, plant and equipment		1,481	650
Payments on derivative financial instruments		(4,095)	–
Loss on derivative financial instruments	23	13,126	6,627
Provision for doubtful debts		68	1,751
Accrued expenses		–	2,633
<b>Operating profit before working capital changes</b>		<b>185,789</b>	<b>158,518</b>
<i>Changes in working capital:</i>			
Change in inventories		1,910	(601)
Change in trade receivables		(37,919)	(5,159)
Change in prepayments and other current assets		5,004	(1,886)
Change in trade payables		(743)	629
Change in advances received		(1,016)	(917)
Change in due to Government of Kazakhstan		(773)	(1,031)
Change in other current liabilities		580	(1,509)
Payments under Employee share option plan		–	(1,162)
<b>Cash generated from operations</b>		<b>152,832</b>	<b>146,882</b>
Income tax paid		(1,494)	(15,187)
<b>Net cash flows from operating activities</b>		<b>151,338</b>	<b>131,695</b>
<b>Cash flow from investing activities:</b>			
Interest received		198	305
Purchase of property, plant and equipment		(133,396)	(128,538)
Exploration and evaluation works	4	(2,453)	(1,576)
Placement of bank deposits		(45,000)	–
Loans granted		–	(1,223)
<b>Net cash used in investing activities</b>		<b>(180,651)</b>	<b>(131,032)</b>
<b>Cash flow from financing activities:</b>			
Finance costs paid		(81,111)	(51,018)
Fees and premium paid on arrangement of notes	12	(9,496)	(26,116)
Repayment of notes		(353,192)	(606,808)
Issue of notes		397,280	725,000
Payment of finance lease liabilities		(110)	(616)
Transfer to restricted cash		(275)	(379)
Treasury shares sold/(purchased)		–	1,853
Other finance costs		(214)	–
<b>Net cash (used in)/from financing activities</b>		<b>(47,118)</b>	<b>41,916</b>
Effects of exchange rate changes on cash and cash equivalents		(22)	677
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(76,453)</b>	<b>43,256</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>50,498</b>	<b>144,390</b>

\* Certain amounts shown here do not correspond to the interim condensed consolidated financial statements for the nine months ended 30 September 2017 and reflect adjustments made, please refer to Note 3 for more details.

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