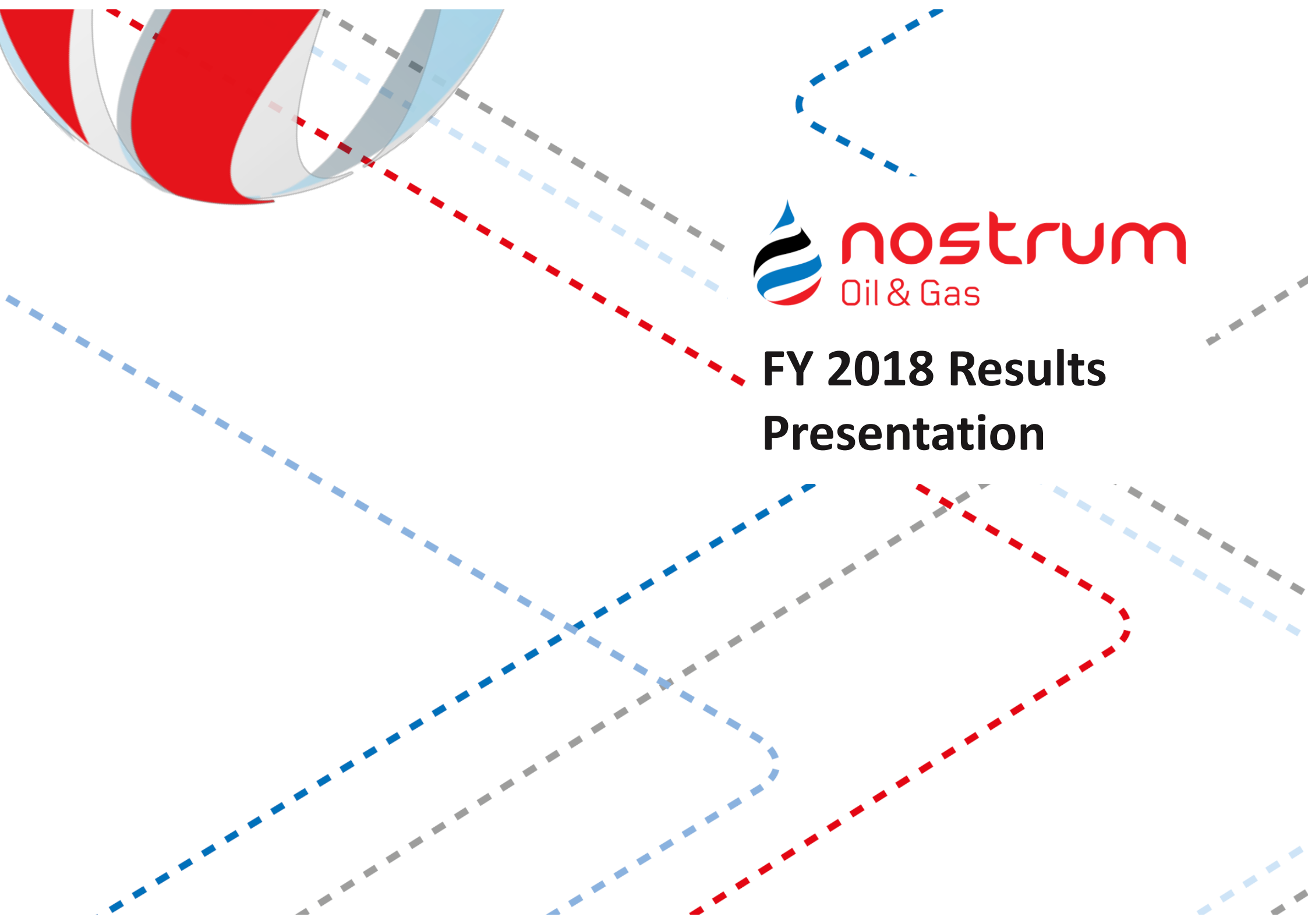




# FY 2018 Results Presentation



# FY 2018 Financial Results

## Stable cash flow during FY 2018

- 1 US\$231m EBITDA<sup>1</sup> from 29,516 boepd of sales volumes at a 59% margin
- 2 Cash & equivalents<sup>2</sup> of US\$122m and net debt<sup>3</sup> of US\$1,008m as at 31 December 2018
- 3 Further reduction in fixed cost base with full year opex of US\$50m<sup>4</sup> (12% reduction) and G&A of US\$20m<sup>5</sup> (34% reduction)
- 4 US\$150m impairment of fixed assets due to 78mmboe reduction in overall 2P reserves to 410mmboe<sup>6</sup>
- 5 Low Pressure System successfully completed and online
- 6 Binding agreement to purchase and process third-party hydrocarbons delivered by Ural Oil & Gas LLP (“UOG”)
- 7 Mechanical completion of GTU3 achieved in December 2018 with full commissioning expected before the end of Q3 2019

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

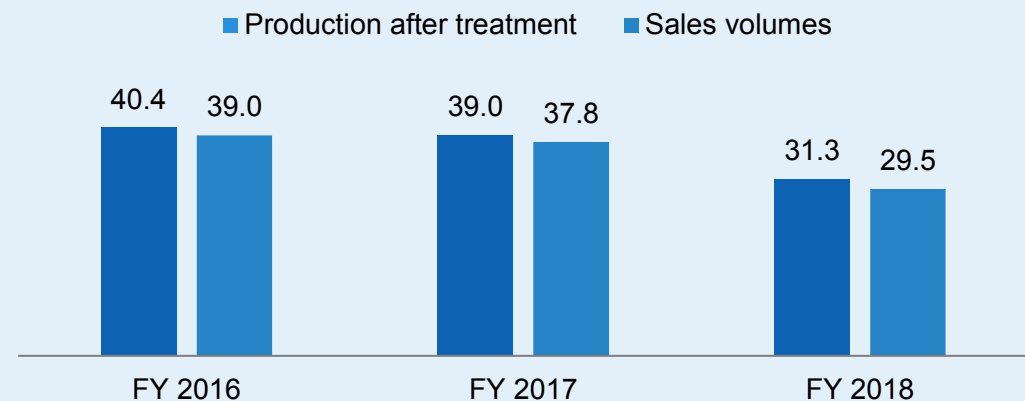
<sup>1</sup> Earnings before depreciation and amortisation, impairment charges, share-based compensation, fair value gains and losses on derivative instruments, foreign exchange losses, finance costs, finance income, non-core income or expenses and taxes, and includes any cash proceeds received or paid out from hedging activity <sup>2</sup> Cash & cash equivalents as at 31 December 2018 including current investments but excluding restricted cash <sup>3</sup> Current and non-current portions of long-term borrowings from balance sheet less cash & cash equivalents as at 31 December 2018 <sup>4</sup> General & administrative expense net of depreciation <sup>5</sup> Cost of sales net of depreciation <sup>6</sup> Ryder Scott reserve report dated 1 January 2019

# Snapshot of key figures from FY 2018

## Control of costs during year of operational challenges

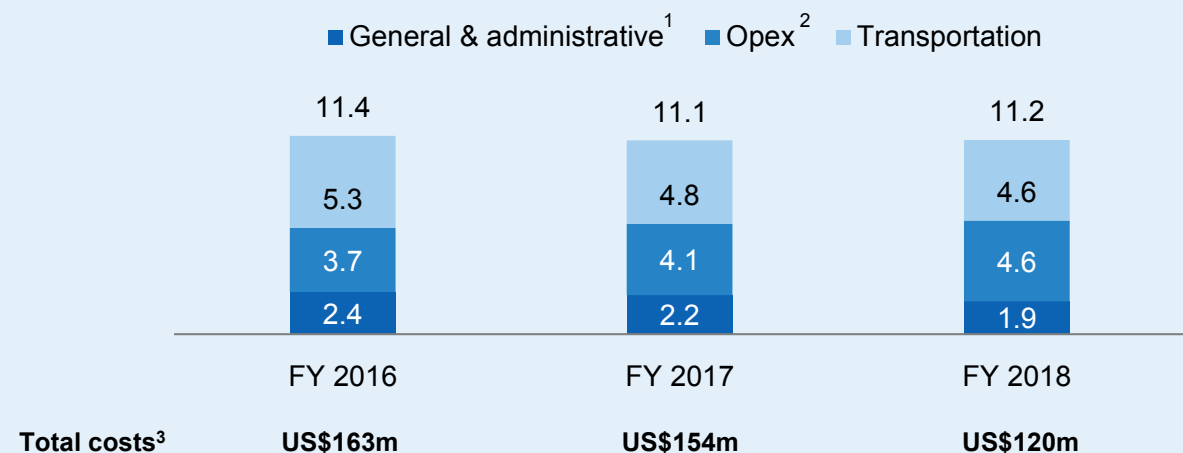
### Production stabilised during H2 2018 [kboepd]

- Average daily production stabilised during H2 2018 at above 30kboepd
- 2019 average daily production stable at above 32.5kboepd
  - Northern Area currently awaiting licence extension
  - Well 228 / 231 (Biski-NE) brought online during Q4 2018
  - Low Pressure System online since December 2018



### Costs under control [US\$ / boe]

- Continued focus on cost reduction during FY 2018
  - General & administrative US\$20m
  - Opex US\$50m
  - Transportation US\$4.6 / boe
- Strong cash flow generation in spite of reduced production
  - US\$214m operating cash flow during FY 2018



<sup>1</sup> General & administrative expense net of depreciation

<sup>2</sup> Cost of sales net of depreciation

<sup>3</sup> General & administrative, Opex and transportation

# Liquidity management in 2019

## *Focus on capital preservation*

### Capital expenditure

- Two rig drilling programme for 2019
  - Six wells = c.US\$70m
- Both rigs currently in operation in Northern Area of Chinarevskoye drilling outstep wells either side of the Well 40 discovery
- Continue to develop existing reservoirs at Chinarevskoye following completion of technical studies during 2019
  - On track for delivery in Q4 2019
- Other capex items include:
  - GTU3 completion
  - Technical studies
  - Field infrastructure upgrades (e.g. waste water, power optimisation)
  - Integrated Management System

### Hedging programme

- Currently no hedges in place
- Company will assess market conditions and look at options for hedging for 2019

**Two wells currently being drilled in Northern Area with results expected during Q2 2019**

# Cash bridge to YE 2019

*Stable liquidity position at US\$60 / bbl oil with cash flow from existing wells*

28kboepd of sales volumes @ US\$60/bbl

Only 2018 wells included

190

Coupon payments in Q1 / Q3

85

35

Two rig drilling programme

Two wells currently being drilled in Northern Area

92

100

122

FY 2018 Closing cash

OPCF

Finance costs

GTU3 commissioning

Capital available to invest

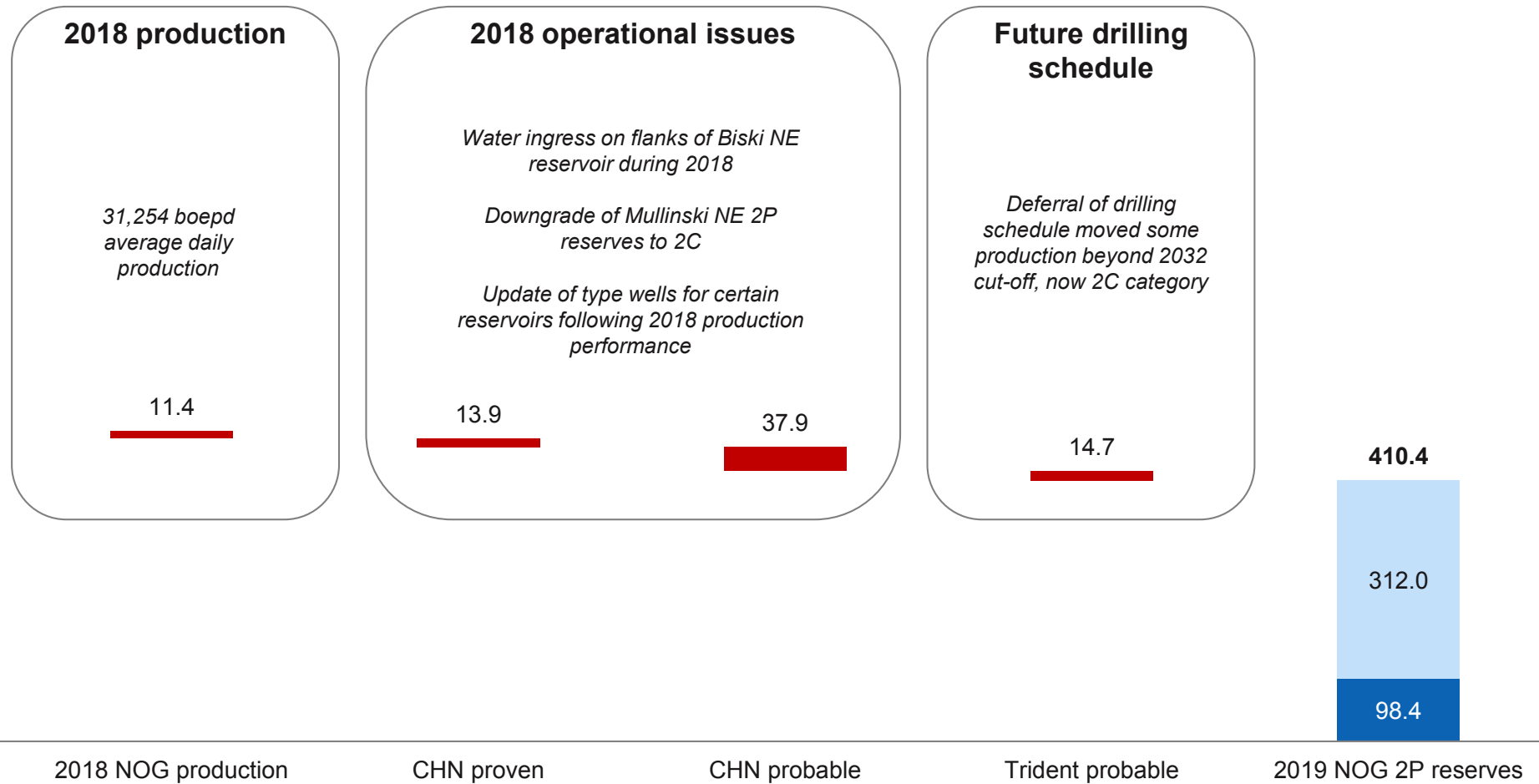
FY 2019 Closing cash

**End 2019 with US\$100m of cash**

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

# Ryder Scott reserves audit

## 16% reduction in Nostrum 2P reserves



**410mmboe audited 2P reserves**

Source: Ryder Scott reserve report dated 1 January 2019

■ Proven reserves  
 ■ Probable reserves

# Overview of Chinarevskoye field

## Fields within a field

### North

#### Reservoirs

Frasnian
Vorobyovski
Mullinski N

- No current reserves
- Successful discovery with Well 40
- Two outstep wells currently being drilled either side of Well 40

### West

#### Reservoirs

Biski / Afoninski W

- No commercial production to date
- Technical review underway following Well 234

### North-East

#### Reservoirs

Biski / Afoninski NE	Bashkirian
Tournaisian NE / W	Mullinski NE
Ardatovski NE	Mullinski S

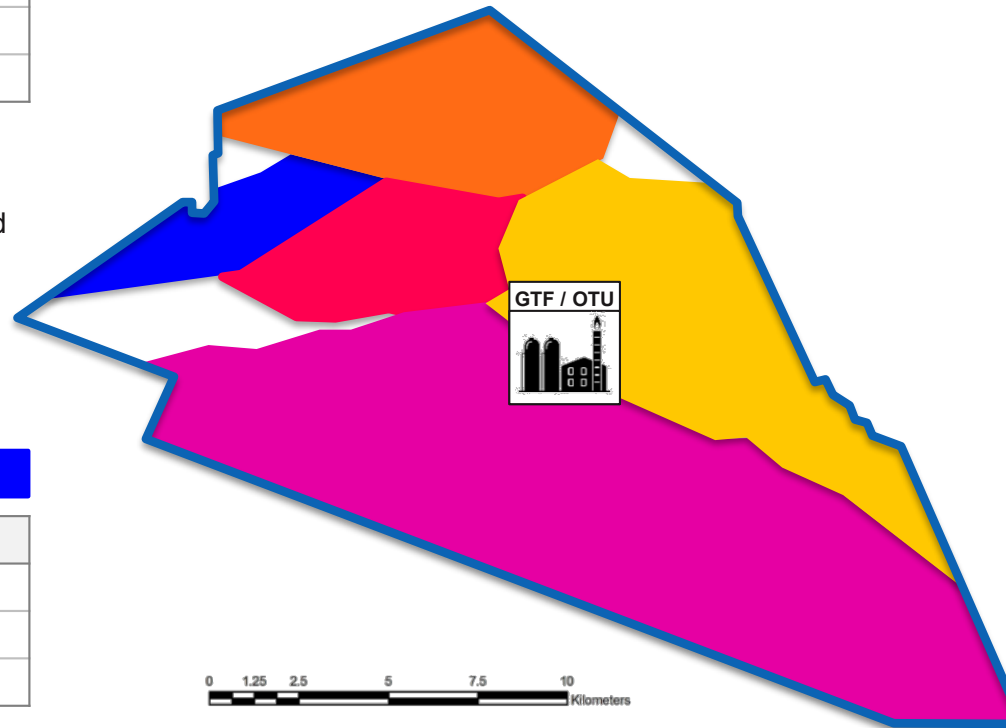
- 75 wells drilled since 2007 with no dry holes
- Over 100m mboe sold over that period
- Further development following conclusion of technical study

### South

#### Reservoirs

Tournaisian S
Ardatovski S

- Very small proportion of production and reserves



Multiple hydrocarbon bearing reservoirs exist within the Chinarevskoye license area

Note: Map used for illustrative purposes only

# Ryder Scott reserves audit [cont'd]

## Summary of reserve revisions by reservoir and categorisation

Reservoir	Unit	Audited 2P reserves (2018)			2018 Production	Other changes			Audited 2P reserves (2019)			Comments
		Proven	Probable	Total		Proven	Probable	Total	Proven	Probable	Total	
Biski / Afoninski (NE / NW)	[mmboe]	82.5	62.2	144.7	(7.3)	(11.3)	(0.4)	(11.7)	63.9	61.8	125.7	Reduction in areas where water ingress was detected, new type well used for future estimated production
Biski / Afoninski (W)	[mmboe]	0.3	92.1	92.3	(0.0)	(0.2)	(11.4)	(11.7)	-	80.6	80.6	New type well, abandonment of wells 204 / 208
Mullinski (NE / N)	[mmboe]	7.9	41.8	49.8	(0.5)	(4.8)	(15.6)	(20.3)	2.7	26.3	29.0	New type well, moved to Contingent Resources (2C)
Ardatovski (NE / S <sup>2</sup> )	[mmboe]	3.8	20.4	24.2	(0.8)	3.5	(10.4)	(6.9)	6.5	10.0	16.5	New type well, mitigated to an extent by better production from existing wells
Tournaisian (NE / NW / S)	[mmboe]	26.5	13.5	40.0	(2.6)	(0.9)	0.1	(0.8)	23.0	13.6	36.6	
Bashkirian	[mmboe]	2.7	3.9	6.6	(0.2)	(0.2)	(0.2)	(0.4)	2.3	3.7	6.0	
<b>Total Chinarevskoye</b>	<b>[mmboe]</b>	<b>123.7</b>	<b>233.9</b>	<b>357.6</b>	<b>(11.4)</b>	<b>(13.9)</b>	<b>(37.9)</b>	<b>(51.8)</b>	<b>98.4</b>	<b>196.0</b>	<b>294.4</b>	
Trident fields	[mmboe]	-	130.7	130.7	-	-	(14.7)	(14.7)	-	116.0	116.0	Deferral of drilling schedule (2C)
<b>Total Nostrum</b>	<b>[mmboe]</b>	<b>123.7</b>	<b>364.6</b>	<b>488.3</b>	<b>(11.4)</b>	<b>(13.9)</b>	<b>(52.6)</b>	<b>(66.5)</b>	<b>98.4</b>	<b>312.0</b>	<b>410.4</b>	

11mmboe of production during 2018; Northern Area not included in 2018 audited reserves



# 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

# Key focus areas for 2019

1

## Production

- Maintain production above an average of 30,000 boepd from existing wells
- 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

- Maintain existing margins by keeping costs down as GTU3 fully commissioned
- Preserve capital while operational challenges at Chinarevskoye are resolved

3

## Infrastructure leverage

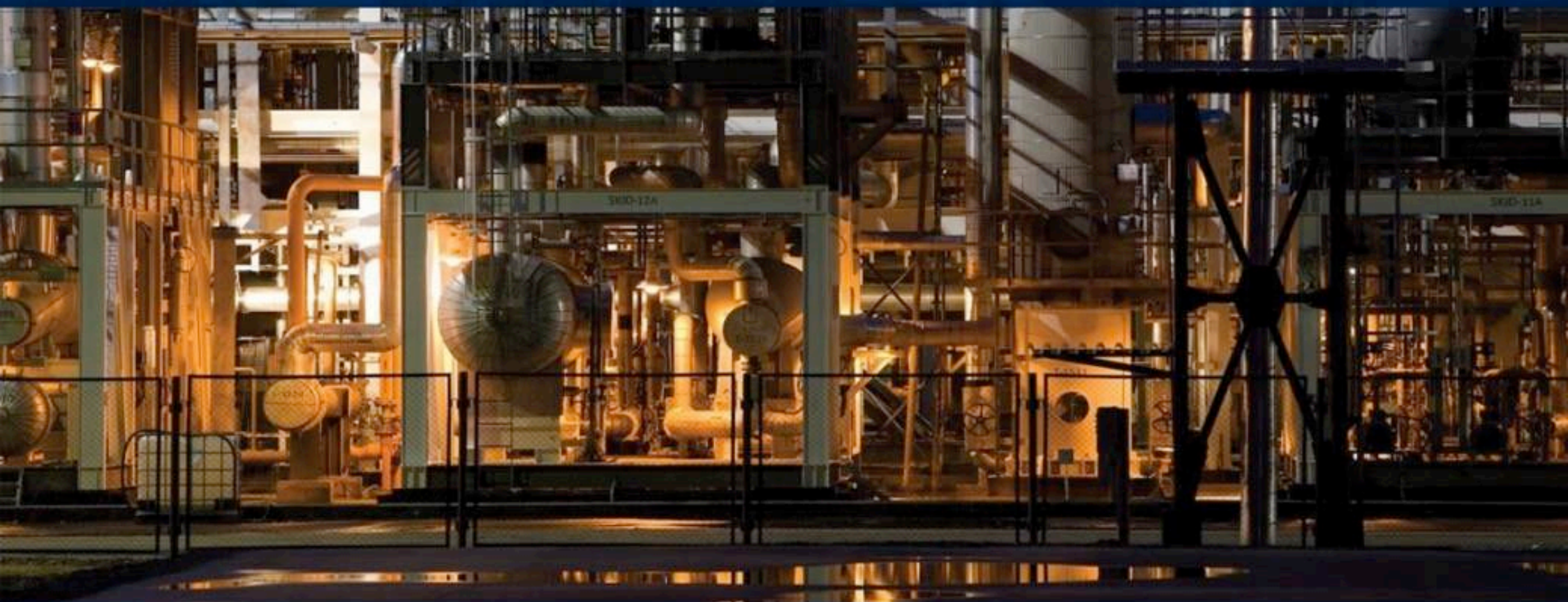
- Fully commission GTU3 facility in 2019
- Access additional hydrocarbon throughput for our infrastructure hub

4

## CSR and sustainable growth

- Focus on expanding ESG policies to link corporate responsibility to the growth of the Company
- Foster diversity at all levels of the Group

# 2018 Financial Results



# Financial Overview – FY 2018

US\$m	FY 2017	FY 2018
Revenue	405.5	<b>389.9</b>
EBITDA <sup>1</sup>	231.6	<b>231.3</b>
Profit before tax	26.0	<b>(92.2)</b>
<i>Current income tax expense</i>	<i>(13.9)</i>	<i>(12.3)</i>
<i>Deferred income tax expense</i>	<i>(36.0)</i>	<i>(16.3)</i>
Net income	(23.9)	<b>(120.7)</b>
Earnings per share (US\$c) <sup>2</sup>	(0.1)	<b>(0.7)</b>
Capital expenditure <sup>3</sup>	(191.5)	<b>(172.5)</b>
Net cash flows from operating activities	182.8	<b>214.0</b>

US\$m	FY 2017	FY 2018
Gross debt	1,087.9	<b>1,129.6</b>
Cash & cash equivalents <sup>4</sup>	127.0	<b>121.8</b>
Net debt	960.9	<b>1,007.8</b>
Net debt / LTM EBITDA	4.1x	<b>4.4x</b>

<sup>1</sup> Earnings before depreciation and amortisation, impairment charges, 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> Based on a weighted average no. of shares as at FY 2018 of 185.1m and FY 2017 of 185.1m

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

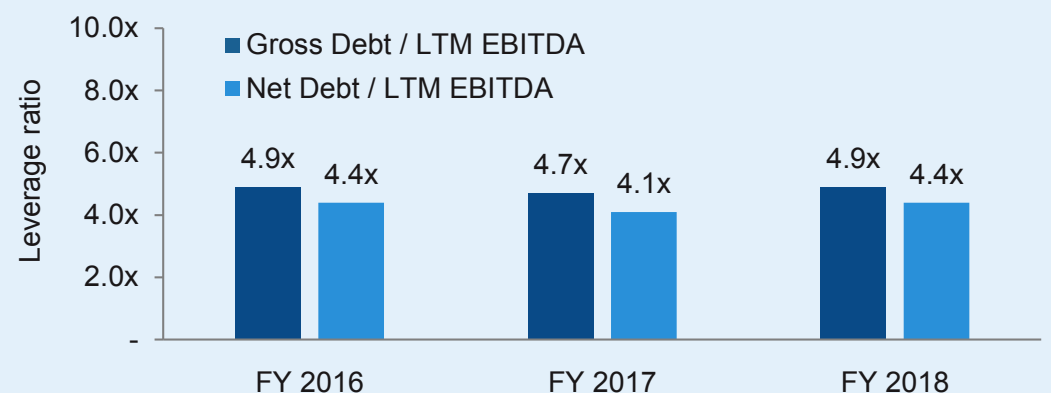
<sup>4</sup> Cash & cash equivalents including current investments but excluding restricted cash

# Balance Sheet Summary

## Highlights

- US\$122m cash & equivalents<sup>1</sup>
- Successful refinancing of remaining bond debt with no maturities until 2022

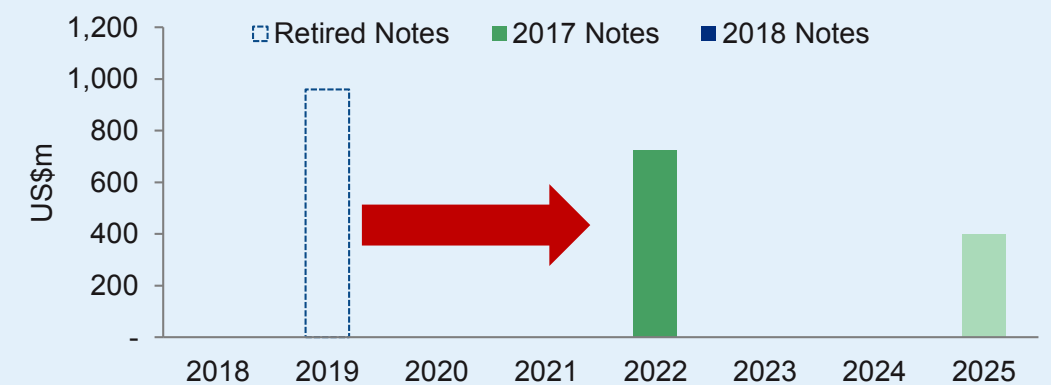
## Gross debt / net debt



## Net debt overview

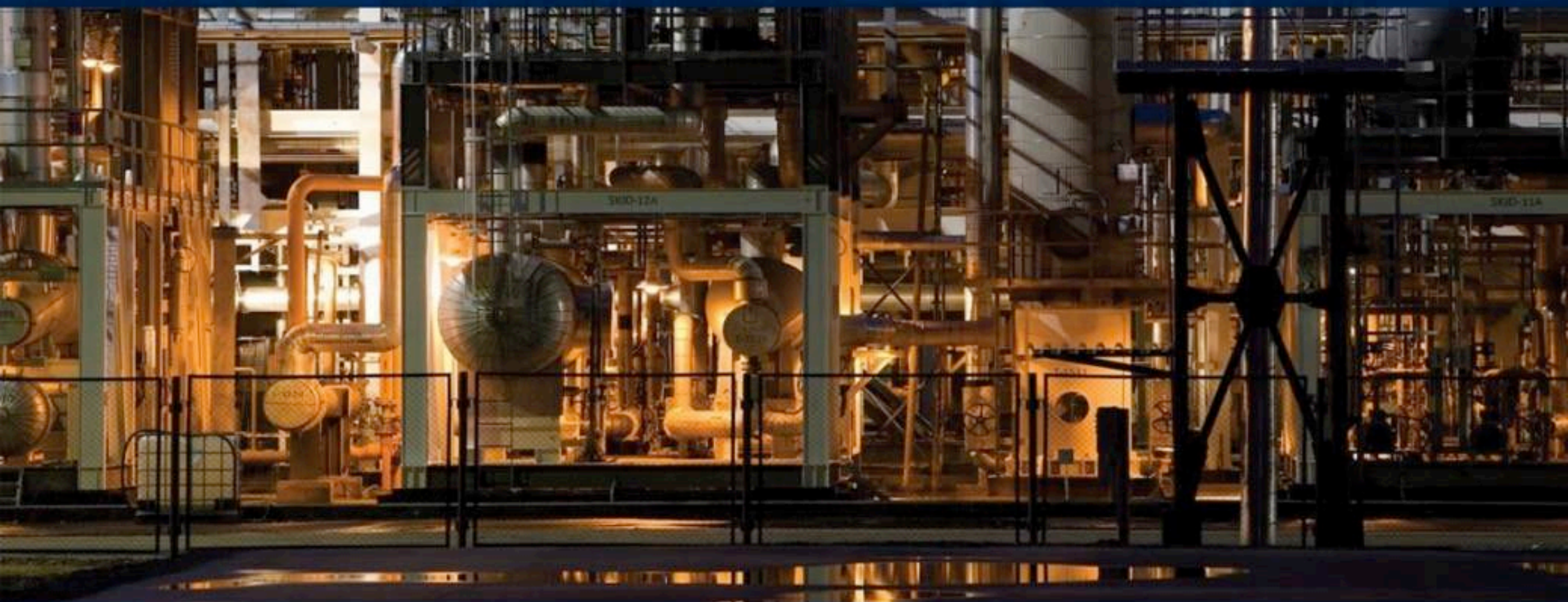
US\$m	FY 2018
Total debt, including:	1,129.6
2022 Notes (8.000% coupon)	727.4
2025 Notes (7.000% coupon)	402.2
Cash & cash equivalents <sup>1</sup>	(121.8)
<b>Net Debt</b>	<b>1,007.8</b>

## Maturity profile of current debt



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

# Supporting materials



# Consolidated Statement of Financial Position

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of US dollars	Notes	31 December 2018	31 December 2017
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation assets	6	50,241	47,828
Goodwill	5	–	32,425
Property, plant and equipment	7	1,919,662	1,941,894
Restricted cash	12	7,021	6,663
Advances for non-current assets	8	15,466	14,598
<b>Total Non-current assets</b>		<b>1,992,390</b>	<b>2,043,408</b>
<b>CURRENT ASSETS</b>			
Inventories	9	29,583	29,746
Trade receivables	10	35,732	34,520
Prepayments and other current assets	11	20,014	27,103
Income tax prepayment		–	3,380
Cash and cash equivalents	12	121,753	126,951
<b>Total Current assets</b>		<b>207,082</b>	<b>221,700</b>
<b>TOTAL ASSETS</b>		<b>2,199,472</b>	<b>2,265,108</b>
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	13	3,203	3,203
Treasury capital		(1,660)	(1,660)
Retained earnings and reserves		555,456	668,010
<b>Total Share capital and reserves</b>		<b>556,999</b>	<b>669,553</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	15	1,093,967	1,056,541
Abandonment and site restoration provision	16	21,894	23,590
Due to Government of Kazakhstan	17	5,280	5,466
Deferred tax liability	28	400,981	381,595
<b>Total Non-current liabilities</b>		<b>1,522,122</b>	<b>1,467,192</b>
<b>CURRENT LIABILITIES</b>			
Current portion of long-term borrowings	15	35,633	31,337
Employee share option plan liability	26	55	2,086
Trade payables	18	52,876	56,855
Advances received		394	1,279
Income tax payable		679	499
Current portion of due to Government of Kazakhstan	17	1,031	1,031
Other current liabilities	19	29,683	35,276
<b>Total Current liabilities</b>		<b>120,351</b>	<b>128,363</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,199,472</b>	<b>2,265,108</b>

# Consolidated Statement of Comprehensive Income

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of US dollars	Notes	For the year ended 31 December	
		2018	2017
<b>Revenue</b>			
Revenue from export sales		296,034	262,767
Revenue from domestic sales		93,893	142,766
	20	389,927	405,533
Cost of sales	21	(165,145)	(177,246)
<b>Gross profit</b>		224,782	228,287
General and administrative expenses	22	(22,212)	(33,303)
Selling and transportation expenses	23	(49,984)	(66,441)
Taxes other than income tax	24	(29,702)	(19,967)
Impairment charge	5,7	(150,000)	–
Finance costs	25	(49,383)	(59,752)
Employee share options - fair value adjustment	26	1,320	2,099
Foreign exchange loss, net		(978)	(688)
Loss on derivative financial instruments	29	(12,387)	(6,658)
Interest income		514	374
Other income		4,374	4,071
Other expenses	27	(8,504)	(22,055)
<b>(Loss)/profit before income tax</b>		(92,160)	25,967
Current income tax expense		(12,251)	(13,883)
Deferred income tax expense		(16,284)	(35,966)
<b>Income tax expense</b>	28	(28,535)	(49,849)
<b>Loss for the year</b>		(120,695)	(23,882)
<b>Other comprehensive income that could be reclassified to the income statement in subsequent periods</b>			
Currency translation difference		(895)	825
<b>Other comprehensive (loss)/income for the year</b>		(895)	825
<b>Total comprehensive loss for the year</b>		(121,590)	(23,057)
Loss for the year attributable to the shareholders (in thousands of US dollars)		(120,695)	(23,882)
Weighted average number of shares		185,234,079	185,068,917
Basic and diluted earnings per share (in US dollars)		(0.65)	(0.13)



# Consolidated Statement of Cash Flows

## CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of US dollars	Notes	For the year ended 31 December	
		2018	2017
<b>Cash flow from operating activities:</b>			
Profit before income tax		(92,161)	25,967
<i>Adjustments for:</i>			
Depreciation, depletion and amortisation	21, 22	117,081	122,986
Impairment charge	5, 7	150,000	–
Finance costs	25	49,383	59,752
Employee share option plan fair value adjustment		(2,031)	(2,099)
Interest income		(514)	(374)
Net foreign exchange differences		34	(1,541)
Loss on write-off of property, plant and equipment		1,712	1,285
Payments under derivative financial instruments	29	(8,649)	–
Loss on derivative financial instruments	29	12,387	6,658
Provision for doubtful debts		(116)	1,756
Accrued expenses		–	3,046
<b>Operating profit before working capital changes</b>		<b>227,126</b>	<b>217,436</b>
<i>Changes in working capital:</i>			
Change in inventories		163	1,561
Change in trade receivables		(1,212)	(5,468)
Change in prepayments and other current assets		7,664	(5,733)
Change in trade payables		(3,183)	(4,555)
Change in advances received		(886)	(531)
Change in due to Government of Kazakhstan		(1,031)	(1,289)
Change in other current liabilities		(5,538)	(1,597)
Payments under Employee share option plan		–	(1,162)
<b>Cash generated from operations</b>		<b>223,103</b>	<b>198,662</b>
Income tax paid		(9,062)	(15,874)
<b>Net cash flows from operating activities</b>		<b>214,041</b>	<b>182,788</b>
<b>Cash flow from investing activities:</b>			
Interest received		514	374
Purchase of property, plant and equipment		(168,343)	(188,060)
Exploration and evaluation works	6	(2,518)	(3,482)
Acquisition of subsidiaries		(1,674)	–
Placement of bank deposits		(45,000)	–
Redemption of bank deposits		45,000	–
Loans granted		–	(1,223)
<b>Net cash used in investing activities</b>		<b>(172,021)</b>	<b>(192,391)</b>
<b>Cash flow from financing activities:</b>			
Finance costs paid		(81,111)	(57,013)
Issue of notes		397,280	725,000
Repayment of notes		(353,192)	(606,808)
Fees and premium paid on arrangement of notes		(9,496)	(27,084)
Treasury shares sold		–	1,853
Payment of finance lease liabilities		(132)	(676)
Transfer to restricted cash		(358)	(683)
<b>Net cash (used in) / from financing activities</b>		<b>(47,009)</b>	<b>34,589</b>
Effects of exchange rate changes on cash and cash equivalents		(209)	831
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(5,198)</b>	<b>25,817</b>
Cash and cash equivalents at the beginning of the year	12	126,951	101,134
<b>Cash and cash equivalents at the end of the year</b>	<b>12</b>	<b>121,753</b>	<b>126,951</b>

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