**Zhaikmunai LLP**
30 August 2016

**Half Year 2016 Financial Results**

**Uralsk, 30 August 2016**

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 results in respect of the six months ended 30 June 2016.

**Financial highlights from the six months to 30 June 2016:**

- Revenue of US$163.5m (H1 2015: US$274.1m), reflecting the 31% decrease in average Brent crude oil price for the period compared to H1 2015 from US$59.4/bbl to US$41.0/bbl
- EBITDA[1] of US$100.9m (H1 2015: US$152.6m)
- Strong EBITDA margin of 62%
- Reduction in opex to US$3.3 / boe, down 30.1% from H1 2015 to a total of US$23.4m
- Reduction in G&A to US$2.8 / boe, down 22.0% from H1 2015 to a total of US$19.5m
- US$24.8m received from the hedge in H1 2016; 15,000 boepd hedged at US$49.16 per barrel from December 2015, with a 24-month tenor and quarterly payments
- Closing cash[2] for the period of US$111.9m

**Operational highlights from the six months to 30 June 2016:**

- GTU3 construction progressing on time and on budget; completion expected during 2017
- Production for the first half of 2016 was 38,993 boepd, including the scheduled GTU maintenance
- Full year 2016 production guidance remains at 40,000 boepd
- Drilling programme for 2016 close to completion with 3 new wells completed; new wells to be brought online during Q3

**Kai-Uwe Kessel, Chief Executive Officer of Nostrum, commented:**
*"Nostrum has again demonstrated its financial resilience over the first six months of 2016. The continued reduction in costs has allowed the Company to maintain a strong EBITDA margin of over 60% and steady cash generation. We received approximately US$25m over the first half from our hedge and will continue to receive cash on a quarterly basis through December 2017 should the oil price remain below US$50. We have continued to scale down our cost base in response to the volatile oil price environment and look forward to further reducing our transportation costs next year through the crude pipeline connection to the KazTransOil (KTO) pipeline.*

*Meanwhile, we have kept a keen focus on the completion of GTU3 and with it the doubling of Nostrum's production capacity. I am pleased to report that the construction is progressing well and we expect to complete the project on budget next year.*

*"Our careful control of costs, alongside our steady progress towards doubling capacity demonstrates the resilience of our business model and underpins our future performance and growth."*

**Conference Call**
Nostrum's management team will present the H1 2016 Results and will be available for a Q&A session with analysts and investors today at 14.00 BST, 30th August. Please click on the following link to register for the call: **Conference call registration**
ID 60288084

A presentation will be available in advance on our website www.nog.co.uk.

**Publications**
In addition to publishing its H1 2016 reviewed financial statements the Company today also publishes Q2 2016 unreviewed financial statements for purposes of compliance with ongoing reporting obligations in its bond documentation.

**Download: Nostrum's 2016 Half-Year Results Presentation**

**Download: Nostrum's 2016 Half-Year Interim Management Report and Reviewed Financial Statements**

**Download: Nostrum's 2016 Second-Quarter Interim Management Report and Unreviewed Financial Statements**

[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 + Current Investments

**Further information:**
For further information please visit www.nog.co.uk

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About Nostrum

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 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 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 approximately 60 and 120 kilometres respectively 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 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, the Company does not undertake to update or change any forward-looking statements to reflect events occurring after the date of this announcement.

**H1 2016: Nostrum Financial Results**

| *In millions of US$ (unless mentioned otherwise)* | H1 2016 | H1 2015 | Variance | Variance in % |
|---|---|---|---|---|
| Revenue | 163.5 | 274.1 | (110.6) | (40.4%) |
| EBITDA | 100.9 | 152.6 | (51.7) | (33.9%) |
| EBITDA margin | 61.7% | 55.7% | 6.0% | - |
| Cash Position | 111.9 | 238.1 | (126.2) | (53.0%) |
| Net Debt | 844.3 | 710.1 | 134.2 | 18.9% |

**Revenue, EBITDA and Profit for the Period**

Revenue from sales of crude oil, stabilised condensate, LPG and dry gas was US$163.5 million. This is mainly explained by the decrease in the average Brent crude oil price from US$59.4/bbl during the first half of 2015 to US$41.0bbl during the reporting period. EBITDA stood at US$100.9 million and the Company made a loss over the period of US$55.7 million.

**Cost of Sales**

Cost of sales decreased by 6.2% to US$94.5 million for the reporting period (H1 2015: US$100.8 million). The decrease is primarily explained by the change in royalties, referred to below, payroll and related taxes and repair, maintenance and other services partially offset by higher depreciation, depletion and amortisation costs. On a boe basis, cost of sales increased marginally by US$0.57 or 4.4% to US$13.43 for the reporting period (H1 2015: US$12.86) and cost of sales net of depreciation per boe increased by US$1.22, or 21.4%, to US$4.49 (H1 2015: US$5.71).

Depreciation, depletion and amortisation increased by 12.2% to US$62.9 million for the reporting period (H1 2015: US$56.1 million). The increase of depreciation for H1 2016 in comparison to H1 2015 is a consequence of the ratio change between the volume produced and the proven developed reserves.

Repair, maintenance and other services decreased by 25.2% to US$10.5 million for the reporting period (H1 2015: US$14.1 million). These expenses include maintenance expenses related to the gas treatment facility and other facilities of the Group, engineering and geophysical study expenses. These costs fluctuate depending on the planned works on certain objects. The decrease in the reporting period is mainly attributable to Tenge devaluation.

Payroll and related taxes decreased by 44.2% to US$5.6 million for the reporting period (H1 2015: US$10.0 million). This mainly resulted from the Tenge devaluation over the reporting period as the majority of payroll costs are denominated in Tenge.

Royalties, which are calculated on the basis of production and market prices for the different products, decreased by 57.3% to US$4.2 million for the reporting period (H1 2015: US$9.8 million). This decrease follows the decline of revenues for sold products.

Other transportation services increased by 166.8% to US$3.4 million for the reporting period (H1 2015: US$1.3million). Such an increase is explained by the fact that transportation services previously provided within the Group have been outsourced since Q4 2015 and these outsourced costs now include for example, vehicle rental fees.

**Cash**

The Group ended the first half of 2016 with US$111.9 million in cash, which includes US$38.0 million of current investments (FY 2015 US$165.6 million).

**Hedging**

In December 2015, Nostrum rolled its pre-existing hedge into a new hedge of 15,000 boepd with a strike price of US$49.16 per barrel. The cost of the hedge was paid entirely from the sale of the Company's previous hedge for US$92m. The new hedge has a 24-month tenor, maturing in December 2017, with cash settlements on a quarterly basis.

**Production**

The product split for H1 2016 was as follows:

| PRODUCTS | H1 2016 Average Production | H1 2016 Product Mix % |
|---|---|---|
| Crude Oil & Stabilised Condensate | 15,622 | 40% |
| LPG (Liquid Petroleum Gas) | 4,377 | 11% |
| Dry Gas | 18,994 | 49% |
| **TOTAL** | **38,993** | **100%** |

**Current Product Destinations**

Nostrum's primary export destinations for H1 2016 were as follows:

- Crude Oil – Neste Oil's and Socar's refineries in Finland and Azerbaijan
- Condensate – Russian Black Sea port of Taman
- LPG – Russian Black Sea ports and Bulgaria
- Dry Gas – Sold for export markets

The Company is working on adding access to the KazTransOil (KTO) pipeline for its crude oil transportation but has no current plans to change any of these export destinations during 2016. Once connected, the KTO pipeline will benefit Nostrum by helping to further reduce transportation costs. The cost of access to the KTO pipeline is expected to be approximately US$7m.

**Drilling**

- 23 oil wells and 18 gas condensate wells are currently producing at the Chinarevskoye field
- Drilling programme for 2016 close to completion with 3 new wells completed
- New wells to be brought online during Q3
- Rostoshinskoye well reached target depth of 5050 metres
- 2016 production drilling capex remains below US$50m for the year

**Production schedule**

Based on the current drilling programme stated above and taking into account the current oil price we reaffirm our production guidance below.

- 2016 – Approximately 40,000 boepd
- 2017 – Approximately 40,000 – 60,000 boepd
- 2018 – Approximately 60,000 – 90,000 boepd
- 2019 – Approximately 90,000 – 100,000 boepd

Should oil prices deviate materially the production guidance will be updated accordingly.

**Progress on Development of GTU3**

Nostrum continues to make steady progress on GTU3. Following the fall in the oil price over the period from H2 2015 onwards, Nostrum took the decision to phase the payments of GTU3 over 2016 and 2017 in order to match the payment profile of the hedge put in place in December 2015. Completion remains scheduled for 2017. The phasing of payments involves no additional cost for Nostrum and the total budget remains at US$500m. The phasing of the payments allow for a continued preservation of cash on Nostrum's balance sheet during this period of low oil prices.

The below figures reflect all cash payments made and future cash payments excluding VAT on GTU3.

| **GTU3 Cash Spent** | **As per 30 June 2016** |
|---|---|
| Expenditure to date | US$317m |
| Remaining expected expenditure in 2016 | US$93m |
| Expected expenditure in 2017 | US$88m |