



# Financial Results for the period ended 30 September, 2020

November 2020



# Summary

## Financial

- Revenue of US\$135.8m (30 September 2019: US\$250.3m)
- EBITDA<sup>1</sup> US\$60.3m (30 September 2019: US\$162.1m)
- Closing cash US\$88.7m<sup>2</sup> with net debt of US\$1074.3m<sup>3</sup>
- Cash position as of 31<sup>st</sup> October 2020 in excess of US\$93m

## Operational

- Covid 19 is of utmost concern. Actions have been taken to protect the safety of all staff and contractors and mitigate any impact on operations. To date, no production has been lost as a result of Covid 19.
- Average sales volumes to 30 September 2020 of 22,269 boepd. Sales volume guidance for 2020 revised from 19,000 boepd to 20,000 boepd.
- Successful well intervention and workover programme in 2020 has reduced the rate of production decline above expectations.

## Strategic

- Continuing our focus on monetisation of the spare capacity in our gas treatment facilities through processing third party volumes.
- Forbearance Agreement signed 23 October 2020.
- Darinskoye and Yuzhno-Gremyachenskoye licences disposed in October 2020.

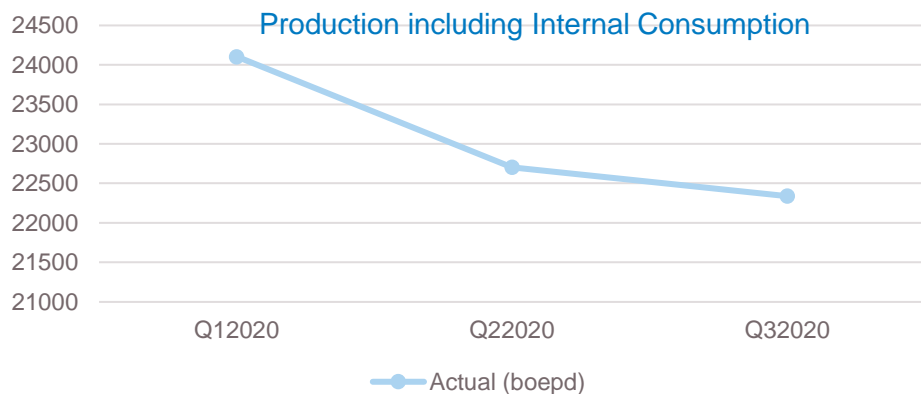
<sup>1</sup> Profit before tax net of finance costs, foreign exchange loss/gain, ESOP, depreciation, interest income, other income and expenses

<sup>2</sup> Cash and cash equivalents including current and non-current investments but excluding restricted cash

<sup>3</sup> IFRS current portion of long-term borrowings less cash and cash equivalents

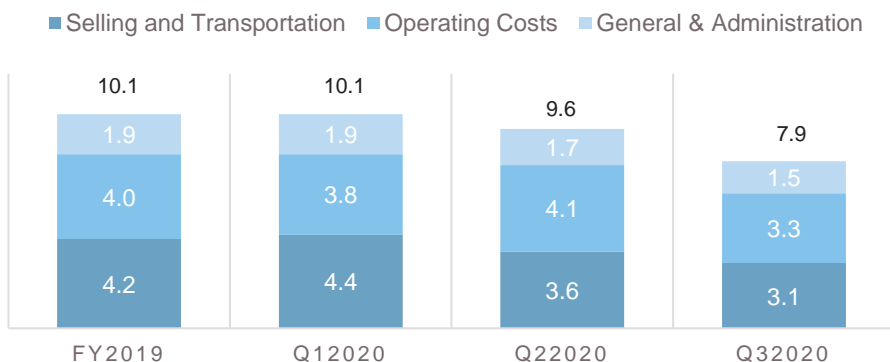
# Snapshot of key figures

## Production decline less than expected



- Production still declining but successful work-over and intervention programme in 2020 has reduced the rate of decline.
- Similar campaign planned for 2021 – will lessen underlying reservoir decline.

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



- Positive impact of cost-reduction initiatives taken earlier in 2020 now manifesting.
- Continued emphasis on proactively managing costs.
- On track to meet FY 2020 targets of operating cost below US\$45m and G&A below US\$17m.

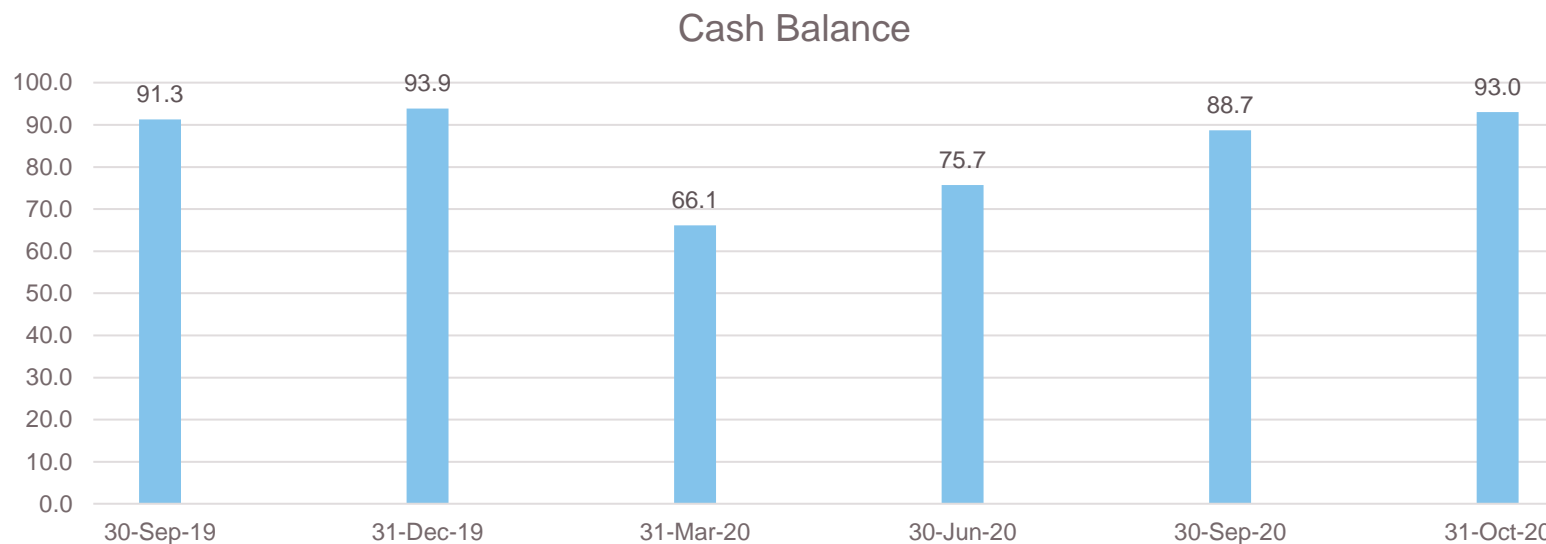
Note: Operating and G&A per barrel equivalent metrics based on production volume. Selling & marketing based on sales volumes

<sup>1</sup> General & administrative costs less depreciation and amortisation

<sup>2</sup> Cost of sales less depreciation, depletion and non-cash inventory adjustment

# Focus on Liquidity Management

Capex reduction



- US\$88.7m<sup>1</sup> cash and cash equivalents as at 30 September 2020.
- Cash position has grown in the year even with production decline and continued low product prices.
- Continuing to focus on cash management. All spend over \$10,000 is challenged.

<sup>1</sup> Cash and cash equivalents including current and non-current investments and excluding restricted cash

# Debt Restructuring

## Capex reduction



- Forbearance Agreement signed on 23 October 2020.
- The initial forbearance expiration period date is at 4 p.m. GMT on 20 December 2020. However, this is automatically extended to 4 p.m. GMT on 18 February 2021 and then again to 4 p.m. GMT on 20 March 2021 unless the Forbearance Agreement has been terminated by a majority decision of the forbearing members of the ad-hoc group of bondholders (the 'AHG').
- A final extension period from 20 March to 19 May 2021 requires the approval of all of the forbearing members of the AHG.
- Pursuant to the Forbearance Agreement, members of the AHG have agreed to forbear from the exercise of certain rights and remedies that they have under the indentures governing the Notes. The agreed forbearances include agreeing not to accelerate the Notes' obligations as a result of the missed interest payments (or the next missed interest periods if they occur prior to the expiry of the Forbearance Agreement).
- The Forbearance Agreement is subject to certain conditions, including:
  - Any representation or warranty made by any of the Note Parties under the Forbearance Agreement continuing to be true and complete in all material respects as of the date of the Forbearance Agreement;
  - A portion of the missed interest payments will be paid into a secured account opened for the benefit of the holders of the Notes;

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- The appointment by the AHG of an observer who shall be entitled to attend and speak, but not vote, at any meetings of the Board or Committees of the Company where certain defined matters are to be discussed;
  - The engagement of certain professional and technical advisors on behalf of the AHG;
  - The observance by the Company and its subsidiaries of certain operating and other restrictions and limitations; and
  - The provision of certain financial and operating information to the advisors of the AHG.
- Consent fees will be paid in cash (the “Consent Fees”) to each forbearing holder. The Consent Fees are payable by reference to the total aggregate principal amount of the Notes outstanding. The first Consent Fee for the first 90 days is 29.7866 basis points, then 19.8577 bps for the following 60 days and 9.9288 bps for the subsequent 30 days. In this regard, the Company has communicated, through the clearing systems, an announcement inviting all other holders of the Notes to join the Forbearance Agreement within a limited period of time.

# Key focus areas going forward

## Maximise commercial potential

- Utilise our gas processing infrastructure.
- Advance discussions with third parties interested in supplying raw gas.

## Restructure the debt and manage liquidity

- Continue discussions with bondholders, shareholders and other stakeholders to restructure the debt and so secure the future of the company.
- Continue to challenge all costs to ensure that our cost base is in line with a strategy to focus on processing third-party volumes.
- Reshape the operational make-up of the business as we restructure the cost base towards a midstream infrastructure Company.

## Prioritise safety and sustainability

- Continue to exercise extreme caution to ensure the safety of our people and contractors in the face of Covid 19.
- Ensure that we keep a focus on our overall health, safety, environmental and social performance

# An infrastructure hub in North-western Kazakhstan



Note: Map used for illustrative purposes only

<sup>1</sup> Nostrum signed an SPA to acquire 50% of Positive Invest LLP, which holds the subsoil use rights to the Stepnoy Leopard licences in Kazakhstan, on 24 June 2019. Nostrum has the right to buy the remaining 50%, subject to the satisfaction of certain additional conditions, at a price of US\$0.27 cent per boe of proven and probable reserves. Transaction currently on hold pending revision to deal terms





# Supporting materials

# Interim Condensed Consolidated Statement of Financial Position

<i>In thousands of US Dollars</i>	Notes	30 September 2020 (unaudited)	31 December 2019 (audited)
<b>Non-current assets</b>			
Property, plant and equipment, net	4	609,215	650,229
Exploration and evaluation assets		151	–
Right of use assets		849	6,875
Advances for non-current assets	5	9,176	8,412
Restricted cash	9	7,160	7,620
		<b>626,551</b>	<b>673,136</b>
<b>Current assets</b>			
Inventories	6	28,979	35,849
Prepayments and other current assets	7	8,143	12,040
Income tax prepayment		837	90
Trade receivables	8	13,230	31,239
Cash and cash equivalents	9	88,709	93,940
		<b>139,898</b>	<b>173,158</b>
Disposal group	10	858	–
<b>TOTAL ASSETS</b>		<b>767,307</b>	<b>846,294</b>
<b>Share capital and reserves</b>	9		
Share capital		3,203	3,203
Treasury capital		(1,660)	(1,660)
Retained earnings and reserves		(521,855)	(433,627)
		<b>(520,312)</b>	<b>(432,084)</b>
<b>Non-current liabilities</b>			
Long-term borrowings	13	–	1,100,453
Long-term lease liability		100	641
Abandonment and site restoration provision		30,059	27,502
Due to Government of Kazakhstan		4,832	5,070
Deferred tax liability		51,070	42,787
		<b>86,061</b>	<b>1,176,453</b>
<b>Current liabilities</b>			
Current portion of long-term borrowings	13	1,162,964	35,633
Current portion of lease liability		946	6,735
Employee share option plan liability		4	4
Trade payables	14	11,841	27,638
Advances received		296	335
Income tax payable		2	263
Current portion of due to Government of Kazakhstan		1,031	1,031
Other current liabilities	15	23,542	30,286
		<b>1,200,626</b>	<b>101,925</b>
Disposal group	10	932	–
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>767,307</b>	<b>846,294</b>

# Interim Condensed Consolidated Statement of Comprehensive Income

In thousands of US Dollars	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
<b>Revenue</b>					
Revenue from export sales		38,831	45,506	105,049	167,464
Revenue from domestic sales		4,358	30,644	30,776	82,874
	16	43,189	76,150	135,825	250,338
Cost of sales	17	(28,280)	(35,728)	(92,161)	(115,498)
<b>Gross profit</b>		14,909	40,422	43,664	134,840
General and administrative expenses	18	(3,304)	(4,907)	(11,485)	(14,639)
Selling and transportation expenses	19	(6,755)	(10,777)	(24,729)	(34,729)
Taxes other than income tax	20	(4,136)	(5,583)	(10,955)	(17,602)
Finance costs	21	(26,496)	(7,400)	(73,684)	(29,481)
Employee share options - fair value adjustment		121	(146)	494	(443)
Foreign exchange gain / (loss), net		687	(21)	126	588
Interest income		45	19	216	58
Other income		1,045	1,387	2,810	2,657
Other expenses		(3,056)	(4,648)	(4,514)	(5,852)
<b>(Loss) / profit before income tax</b>		(26,940)	8,346	(78,057)	35,397
Current income tax expense		(610)	(320)	(1,029)	(1,421)
Deferred income tax loss		(6,282)	(10,641)	(8,283)	(30,481)
<b>Income tax expense</b>	22	(6,892)	(10,961)	(9,312)	(31,902)
<b>(Loss)/ profit for the period</b>		(33,832)	(2,615)	(87,369)	3,495
Other comprehensive income that could be reclassified to the income statement in subsequent periods					
Currency translation difference		(757)	1,069	(752)	642
<b>Other comprehensive (loss) / income</b>		(757)	1,069	(752)	642
<b>Total comprehensive (loss) / income for the period</b>		(34,589)	(1,546)	(88,121)	4,137
(Loss) / profit for the period attributable to the shareholders (in thousands of US dollars)				(87,369)	3,495
Weighted average number of shares				185,234,079	185,234,079
Basic and diluted earnings per share (in US dollars)	12			(0.47)	0.02

# Interim Condensed Consolidated Statement of Cash Flows

In thousands of US Dollars	Notes	Nine months ended 30 September	
		2020 (unaudited)	2019 (unaudited)
<b>Cash flow from operating activities:</b>			
(Loss) / profit before income tax		(78,057)	35,397
<b>Adjustments for:</b>			
Depreciation, depletion and amortisation	16,17,18	63,767	94,220
Finance costs	21	73,684	29,292
Employee share option plan fair value adjustment		(493)	443
Interest income		(254)	(58)
Foreign exchange (gain)/loss on investing and financing activities		(593)	587
Loss on disposal of property, plant and equipment		25	(84)
Payments under derivative financial instruments		–	(3,741)
Reversal of accruals		–	(621)
<b>Operating profit before working capital changes</b>		<b>58,079</b>	<b>155,435</b>
<b>Changes in working capital:</b>			
Change in inventories		6,870	(3,026)
Change in trade receivables		18,009	3,344
Change in prepayments and other current assets		4,335	9,065
Change in trade payables		(9,799)	1,231
Change in advances received		(39)	(282)
Change in due to Government of Kazakhstan		(773)	(773)
Change in other current liabilities		(6,213)	230
<b>Cash generated from operations</b>		<b>70,469</b>	<b>165,224</b>
Income tax paid		(2,472)	(5,016)
<b>Net cash flows from operating activities</b>		<b>67,997</b>	<b>160,208</b>
<b>Cash flow from investing activities:</b>			
Interest received		216	58
Purchase of property, plant and equipment		(22,836)	(89,803)
Exploration and evaluation works		(637)	(332)
Advances for non-current assets		(764)	–
<b>Net cash used in investing activities</b>		<b>(24,021)</b>	<b>(90,077)</b>
<b>Cash flow from financing activities:</b>			
Finance costs paid		(43,000)	(86,000)
Other financing costs		(2,030)	–
Payment of finance lease liabilities		(4,172)	(14,324)
Finance charges on lease liabilities		(314)	–
Transfer to restricted cash		(62)	(333)
<b>Net cash used in financing activities</b>		<b>(49,578)</b>	<b>(100,657)</b>
Effects of exchange rate changes on cash and cash equivalents		371	54
<b>Net decrease in cash and cash equivalents</b>		<b>(5,231)</b>	<b>(30,472)</b>
Cash and cash equivalents at the beginning of the period	9	93,940	121,753
<b>Cash and cash equivalents at the end of the period</b>	9	<b>88,709</b>	<b>91,281</b>



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