nostrum
Oil & Gas

Financial Results for the period ended 30 June, 2021

August 2021

Summary

Financial

- Revenue of US$92.3 m (H1 2020: US$92.6m)
- EBITDA[1] US$52.8m (H1 2020: US$38.7m)
- Closing cash US$108.1m, excluding US$21.5m held in a secure account under the terms of the Forbearance Agreements.

Operational

- H1 2020 average sales volumes 16,249 boepd.
- COVID 19 remains of the utmost concern. Actions continue to be taken to protect the safety of all staff and contractors and mitigate any impact on operations. To date, no production has been lost because of COVID 19.
- Workover and well intervention programme commenced.
- Planned facilities maintenance shut down programme successfully executed in April / May 2021.

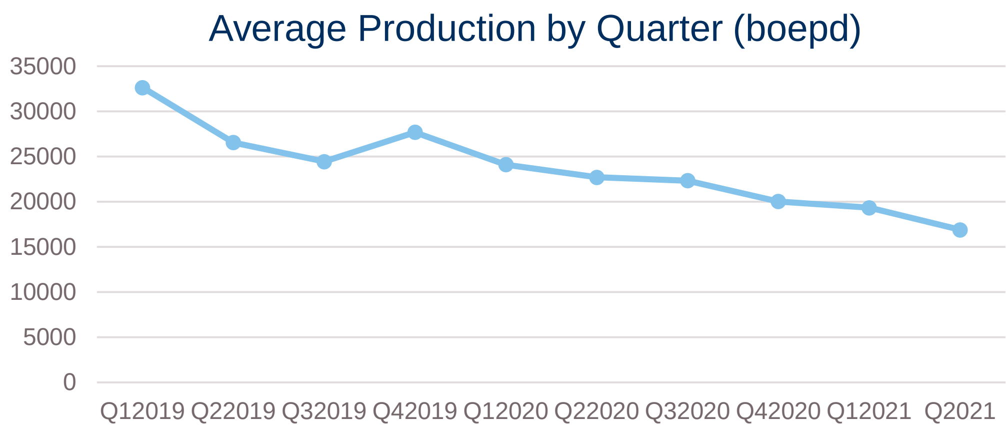
Strategic

- Continued focus on ways to monetise spare capacity in the gas treatment facility utilising third party volumes although delay announced to delivery of first gas and liquid gas-condensate from Ural Oil & Gas LLP from 9 April to 31 October 2023 due to circumstances relating to COVID-19.
- Continue to engage with advisers to an informal ad-hoc committee of noteholders to agree a restructuring agreement.
- Agreement reached for the transfer all of rights and obligations in relation to the Rostoshinskoye field to a third party;
- Appointment of the new Chief Financial Officer.

[1] Profit before tax net of finance costs, foreign exchange loss/gain, ESOP, depreciation, interest income, other income and expenses
[2] Cash and cash equivalents including current and non-current investments and excluding restricted cash

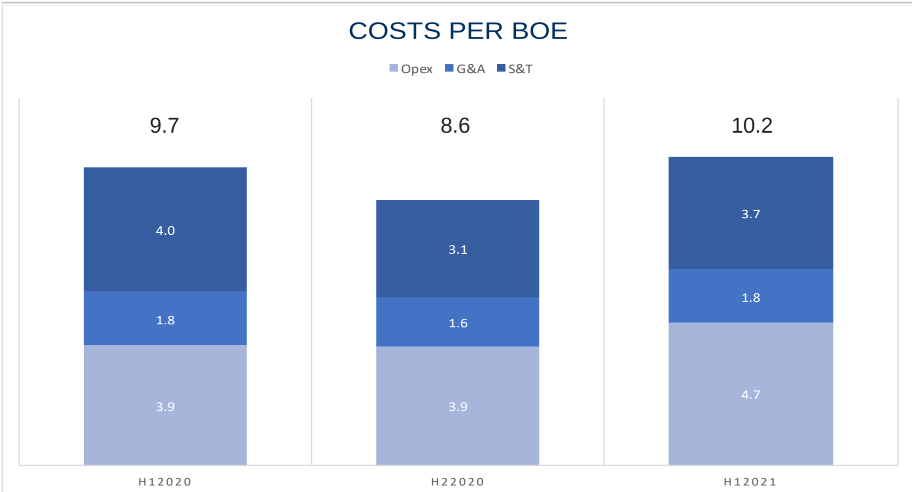
Snapshot of key figures

Production



- Production has natural decline.
- Work-over and well intervention programme started in April 2021. Expected cost just over US$7m.
- Programme expected to add 200,000 boe to production on a risked basis.
- 2021 production guidance remains at 17,000 boepd

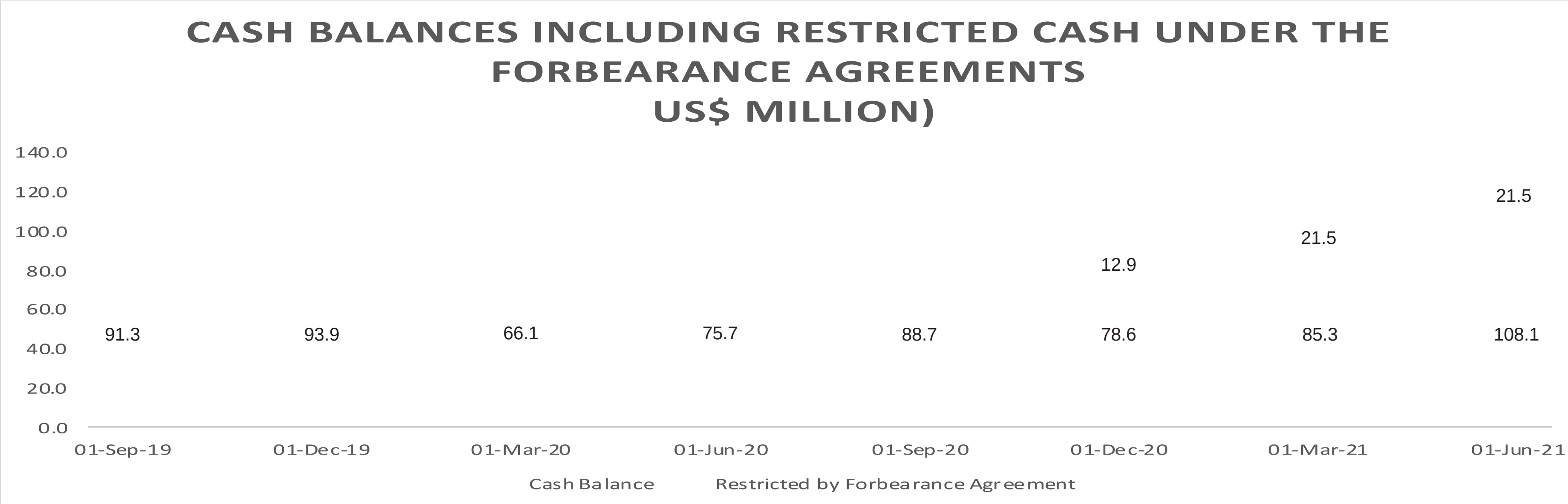
Focus remains on cost as production declines



- Continued emphasis on proactively managing costs.
- H1 2021 negatively impacted by planned shutdown resulting in deferred production and additional costs.
- Shutdown safely completed within timeframe and budget
- FY 2021 target for max total of opex and G&A circa $43.4m excluding the costs of restructuring.

Note: Operating and G&A per barrel equivalent metrics based on production volume. Selling & marketing based on sales volumes
[1] General & administrative costs less depreciation and amortisation
[2] Cost of sales less depreciation, depletion and amortisation and non-cash inventory adjustment

Focus on Liquidity Management



- US$108.1m[1] cash and cash equivalents as at 30 June 2021 plus US$21.5m in restricted cash under the Forbearance Agreement.
- Cash position, including cash transferred to restricted cash, has grown since Q1 2020 even with production decline.
- Continuing to focus on liquidity management.

[1] Cash and cash equivalents including current and non-current investments and excluding restricted cash required for restoration costs

Debt Restructuring

- First Forbearance Agreement signed on 23 October 2020. Second Forbearance Agreement signed on 18 May 2021
- Under the terms of the Forbearance Agreements, certain holders agreed to forbear from the exercise of certain rights and remedies under the indentures governing the Notes. The agreed forbearances included agreeing not to accelerate the Notes' obligations as a result of certain missed interest payments. Following invitation, a substantial number of additional holders acceded to the original forbearance agreement. No such invitation made under the Second Forbearance Agreement
- Second Forbearance Agreement currently terminates on 25 August 2021.
- The restructuring work is progressing and discussions are ongoing between the Company and the informal ad hoc committee of holders of the Notes.

An infrastructure hub in North-western Kazakhstan

Note: Map used for illustrative purposes only

[1] 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

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Interim Condensed Consolidated Statement of Financial Position

In thousands of US Dollars	Notes	30 June 2021 (unaudited)	31 December 2020 (audited)
Assets			
Non-current assets			
Property, plant and equipment	4	**302,036**	339,406
Right-of-use assets		**1,335**	2,755
Advances for non-current assets	5	**9,264**	9,034
Restricted cash	9	**29,253**	20,613
		341,888	371,808
Current assets			
Inventories	6	**32,674**	28,805
Prepayments and other current assets	7	**10,777**	12,303
Income tax prepayment		**684**	379
Trade receivables	8	**18,863**	13,540
Cash and cash equivalents	9	**108,054**	78,583
		171,052	133,610
TOTAL ASSETS		**512,940**	505,418
Equity and liabilities			
Share capital and reserves	10		
Share capital		**3,203**	3,203
Treasury capital		**(1,660)**	(1,660)
Retained deficit and reserves		**(802,050)**	(761,294)
		(800,507)	(759,751)
Non-current liabilities			
Long-term lease liabilities		**–**	35
Abandonment and site restoration provision		**29,132**	28,936
Due to Government of Kazakhstan		**4,698**	4,832
Deferred tax liability	22	**14,046**	8,505
		47,876	42,308
Current liabilities			
Current portion of long-term borrowings	12	**1,233,289**	1,186,269
Current portion of lease liabilities		**1,382**	2,790
Employee share option plan liability		**3**	3
Trade payables	13	**8,155**	8,502
Advances received		**20**	186
Current portion of due to Government of Kazakhstan		**1,031**	1,031
Other current liabilities	14	**21,691**	24,080
		1,265,571	1,222,861
TOTAL EQUITY AND LIABILITIES		**512,940**	505,418

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Interim Condensed Consolidated Statement of Comprehensive Income

In thousands of US Dollars	Notes	For the three months ended 30 June **2021 (unaudited)**	2020 (unaudited)	For the six months ended 30 June **2021 (unaudited)**	2020 (unaudited)
Revenue					
Revenue from export sales		**39,942**	23,928	**79,137**	66,218
Revenue from domestic sales		**6,179**	8,332	**13,174**	26,418
	15	**46,121**	32,260	**92,311**	92,636
Cost of sales	16	**(24,135)**	(30,722)	**(49,444)**	(63,881)
Gross profit		**21,986**	1,538	**42,867**	28,755
General and administrative expenses	17	**(2,986)**	(3,570)	**(5,832)**	(8,181)
Selling and transportation expenses	18	**(5,854)**	(7,978)	**(12,086)**	(17,974)
Taxes other than income tax	19	**(4,043)**	(2,315)	**(7,760)**	(6,819)
Finance costs	20	**(25,761)**	(23,492)	**(53,625)**	(47,188)
Employee share options - fair value adjustment		**–**	222	**–**	373
Foreign exchange (loss) / gain, net		**(233)**	1,104	**(221)**	(561)
Interest income		**58**	141	**112**	171
Other income	21	**1,157**	653	**3,397**	1,765
Other expenses		**(541)**	(321)	**(1,278)**	(1,458)
Loss before income tax		**(16,217)**	(34,018)	**(34,426)**	(51,117)
Current income tax expense		**(769)**	(131)	**(1,133)**	(419)
Deferred income tax (expense) / benefit		**(2,186)**	5,661	**(5,538)**	(2,001)
Income tax (expense) / benefit	22	**(2,955)**	5,530	**(6,671)**	(2,420)
Loss for the period		**(19,172)**	(28,488)	**(41,097)**	(53,537)
Other comprehensive income / (loss) that could be reclassified to the income statement in subsequent periods					
Currency translation difference		**440**	(746)	**341**	5
Other comprehensive income / (loss)		**440**	(746)	**341**	5
Total comprehensive loss for the period		**(18,732)**	(29,234)	**(40,756)**	(53,532)

Loss for the period attributable to the shareholders (in thousands of US dollars)				**(41,097)**	(53,537)
Weighted average number of shares				**185,234,079**	185,234,079
Basic and diluted earnings per share (in US dollars)	11			**(0.22)**	(0.29)

All items in the above statement are derived from continuous operations.

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Interim Condensed Consolidated Statement of Cash Flows

In thousands of US Dollars	Notes	For the six months ended 30 June **2021 (unaudited)**	2020 (unaudited)
Cash flow from operating activities:			
Loss before income tax		**(34,426)**	(51,117)
Adjustments for:			
Depreciation, depletion and amortisation	16,17,18	**35,636**	42,941
Finance costs	20	**53,625**	47,188
Employee share option plan fair value adjustment		**–**	(373)
Interest income		**(112)**	(171)
Foreign exchange gain on investing and financing activities		**(66)**	(12)
Loss on disposal of property, plant and equipment		**–**	8
Operating profit before working capital changes		**54,657**	38,464
Changes in working capital:			
Change in inventories		**1,063**	4,823
Change in trade receivables		**(4,994)**	16,808
Change in prepayments and other current assets		**(318)**	3,456
Change in trade payables		**531**	(8,573)
Change in advances received		**(166)**	(106)
Change in due to Government of Kazakhstan		**(515)**	(515)
Change in other current liabilities		**(1,703)**	(5,790)
Cash generated from operations		**48,555**	48,567
Income tax paid		**(2,260)**	(1,576)
Net cash flows from operating activities		**46,295**	46,991
Cash flow from investing activities:			
Interest received		**112**	171
Purchase of property, plant and equipment		**(2,887)**	(18,146)
Exploration and evaluation works		**–**	(184)
Advances for non-current assets		**(230)**	(518)
Transfer to restricted cash		**(8,634)**	–
Net cash used in investing activities		**(11,639)**	(18,677)
Cash flow from financing activities:			
Finance costs paid		**–**	(43,000)
Other finance costs		**(3,780)**	–
Payment of principal portion of lease liabilities		**(1,443)**	(3,211)
Finance charges on lease liabilities		**(174)**	(256)
Net cash used in financing activities		**(5,397)**	(46,467)
Effects of exchange rate changes on cash and cash equivalents		**212**	(87)
Net increase / (decrease) in cash and cash equivalents		**29,471**	(18,240)
Cash and cash equivalents at the beginning of the period	9	**78,583**	93,940
Cash and cash equivalents at the end of the period	9	**108,054**	75,700

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