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**London, 22 January 2020**

### **Update on Strategic Review and Forecast Production for 2020**

Nostrum Oil & Gas PLC (LSE: NOG) (“Nostrum”, or “the Company”), an independent oil and gas company engaging in the production, development and processing of oil and gas in the pre-Caspian Basin, today provides an update on its strategic review process and outlook for 2020.

Nostrum continues to work on the Strategic Review announced on 24 June 2019. The Company continues to work with Goldman Sachs on the Formal Sales Process; however, to-date the Company has not received any binding offer for the Company or its assets.

As part of the Strategic Review, the Company undertook a comprehensive analysis of its operational and financial performance. The result of the analysis is that the Company will now change its focus to (i) commercialising the spare capacity in its world-class gas processing infrastructure; (ii) lower-risk reservoir management and (iii) re-organising to a lower cost base. Additional details are provided below:

#### **Commercialisation of Gas Processing Infrastructure**

As previously reported, the Company has completed the construction and commissioning of the third train (“GTU3”) of its gas processing plant. The Company is now able to process up to 4.2 bcm per annum of raw gas and efficiently extract condensate and LPG from sour gas. Combined with the world class processing plant, the Company has established export routes for all the products it produces. The Company is now focused on monetising the spare capacity by processing third party volumes. The Company has already announced its first processing contract with Urals Oil and Gas who will deliver 500 million cubic metres of raw gas per annum. In addition, the Company is in discussions with other parties potentially interested in supplying raw gas to completely fill the spare capacity. Whilst the outcome of these discussions is uncertain and details of such negotiations are commercially sensitive and confidential, a successful outcome would lead to securing materially transformative, stable long-term revenues.

#### **Reservoir Management**

After reviewing the results of various third-party studies conducted last year, including that of Schlumberger and all the in-house work to analyse drilling and production performance, the Company has concluded that whilst significant discovered resources exist within its reservoirs, well productivity in certain areas remains challenging. The Company has therefore decided to halt all drilling in 2020 whilst it carries out further analysis to identify viable technologies to mitigate sub-surface risk. The Directors have also concluded that it would be prudent to transfer higher risk hydrocarbons identified above from the Reserve category to the Contingent Resources category. The Company therefore expects a significant downgrade in its 2P reserves which will also likely



lead to a significant impairment to be taken for the full year 2019 accounts. The Company does not have any specific figures at this stage but will release them when they become finalised. The Company will continue to operate a workover rig and focus on investigating which technologies could be appropriate to increase well productivity in the future.

### **Re-organisation**

The Company announced in December 2019 the departure of its CEO and the appointment during the strategic review period of Kaat Van Hecke, who was previously an independent non-executive Director. In line with the board's and Mrs Van Hecke's agreement, the Company will begin a search to find a new CEO and until such time Kaat will continue to serve as CEO and initiate the transformation.

With the completion of the GTU3, suspension of drilling and the focus to commercialise existing infrastructure, the Company will move towards a lower cost base which will improve liquidity. In this context, the acquisition of Positive Invest, which holds the subsoil use rights to the Stepnoy Leopard licenses in North Western Kazakhstan, announced on 24 June 2019 will be reviewed by the board. An update on that acquisition will be provided in due course.

The Company forecasts average sales volumes for 2020 of 19,000 boepd and production of 20,000 boepd. The Company expects to spend a limited amount on Capex during 2020 ensuring that it can still end the year with over US\$75m of cash on its balance sheet.

Atul Gupta, Executive Chairman of Nostrum Oil & Gas, commented:

*“Following a period of intense review of all aspects of our business on how to maximise value for all stakeholders, we have embarked on a strategy to transform the business by seeking to commercialise our world-class infrastructure, adopting a lower-risk sub-surface work programme and an aggressive approach to cost management. Whilst continuing to explore a full sale of the Company, we see significant value in our unique infrastructure and we also recognise the need to prudently manage risk and liquidity.”*

Disclosure of inside information in accordance with Article 17 of Regulation (EU) 596/2014 (16 April 2014) relating to Nostrum Oil & Gas PLC.

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### **Further information**

For further information please visit [www.nog.co.uk](http://www.nog.co.uk)

### **Further enquiries**

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About Nostrum Oil & Gas

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 Oil & Gas PLC 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 Oil & Gas 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 between approximately 60 and 120 kilometres 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 Company 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.