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THIS RELEASE CONTAINS INSIDE INFORMATION

London, 23 December 2021

Announcement of lock-up agreement and restructuring terms

Nostrum Oil & Gas PLC (LSE: NOG) ("**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 the execution of a lock-up agreement (the "**Lock-up Agreement**") and terms of a restructuring agreed with holders of in excess of 54 per cent of the aggregate principal amount of the 8.0% Senior Notes due 2022 and 55 per cent of the aggregate principal amount of the 7.0% Senior Notes due 2025 in each case issued by Nostrum Oil & Gas Finance B.V. (together, the "**Notes**"). In addition, subsidiaries of ICU Holdings Limited ("**ICU**"), the Company's largest shareholder, has entered into the Lock-up Agreement in its capacity as a shareholder and holder of the Notes.

As previously reported, the Company has been in discussions with an informal *ad hoc* committee of holders of the Notes (the "**AHG**") in relation to a restructuring of the Notes. The Company previously entered into two forbearance agreements with the AHG, with the latest forbearance agreement scheduled to expire at 11.59 p.m. (London time) on 24 December 2021.

Under the terms of the Lock-up Agreement, the Company, ICU and the AHG have agreed to implement a transaction which restructures the Notes (the "**Restructuring**"). The key features of the proposed Restructuring are as follows:

1. Partial reinstatement of the Notes in the form of new: (a) senior secured notes in a principal amount of US\$250,000,000 ("**SSNs**"); and (b) senior unsecured notes in a principal amount of US\$300,000,000 ("**SUNs**"); in each case maturing 30 June 2026;
2. Conversion of the remainder of the Notes into equity. It is currently anticipated that the holders of the existing Notes, or their nominee(s), will own: (a) 88.89% of the share capital of the Company on closing of the Restructuring; and (b) warrants, issued to a warrant trustee (as further described below), to subscribe for additional shares of the Company such that the shares held by the holders of the existing Notes, or their nominee(s), would increase from 88.89% to 90% on exercise of all of the warrants; in each case based upon the pro forma capitalisation of the Company immediately following closing of the Restructuring. However, depending on the results of an extraordinary general meeting of shareholders of the Company with respect to the Restructuring (as further described below) the holders of the existing Notes, or their nominee(s), may instead receive: (i) 98.89% of the issued share capital of the Company on closing of the Restructuring; and (ii) warrants, issued to the warrant trustee, to subscribe for additional shares of the Company such that the shares held by the holders of the existing Notes, or their nominee(s), would increase from 98.89% to 99% of the issued share capital of the Company on closing of the Restructuring, in each case based upon the pro forma capitalisation of the Company immediately following closing of the Restructuring; and
3. New corporate governance arrangements in respect of the Group and certain arrangements regarding future utilization of the Group's cashflows, including the proposal to transfer the Company's listing to the Standard Listing segment of the London Stock Exchange.



The Lock-up Agreement is being made available for signature by all holders of Notes. Holders of Notes that are not already party to the Lock-up Agreement can accede to the Lock-up Agreement by completing an accession letter in the form appended as a schedule to the Lock-up Agreement. Holders of the Notes should contact the information agent GLAS Specialist Services Limited at LM@glas.agency to access further information relating to the Restructuring and for details of how to obtain a copy of, and accede to, the Lock-up Agreement.

A fee of 50 bps (the “**Lock-up Fee**”) will be payable upon consummation of the Restructuring to each Participating Noteholder who is originally party to the Lock-up Agreement or accedes to the Lock-up Agreement within 22 days of its execution (i.e. by 14 January 2022). Noteholders will not be eligible for the Lock-up Fee if they accede to the Lock-up Agreement after 14 January 2022 (save with respect to any Notes acquired by them which were already eligible to receive a Lock-up Fee).

Following execution of the Lock-up Agreement, the Company will commence implementation of the Restructuring, which is expected to become effective in the first half of calendar year 2022. It is currently expected that implementation will be effected through a process under Part 26 or Part 26A of the Companies Act 2006. Parallel processes in other jurisdictions relevant to the Group and/or the Notes may also be involved.

In order to effect the Restructuring through its preferred implementation mechanism (which would result in existing shareholders holding 11.11% of the issued share capital of the Company immediately following closing), the Company will require the approval by shareholders of a number of resolutions at a general meeting (“**GM**”) to be convened in due course. For the purposes of convening the GM, the Company will publish a circular to shareholders setting out further details of the Restructuring at the appropriate time. In the event that the requisite majority of shareholders does not approve all of the resolutions at the GM, the Company intends to implement the Restructuring through an alternative mechanism which will result in existing shareholders holding 1.11% of the issued share capital of the Company immediately following closing of the Restructuring.

Therefore, if Shareholders do not approve the resolutions at the GM, it is expected that the economic terms of an alternative restructuring will mean that the Shareholders would be likely to see a significantly worse outcome than in the event that the resolutions at the GM are not approved.

In addition, entry into the Lock-up Agreement with ICU, the issue of New Notes and issue of new shares, constitutes a related party transaction for the purposes of Chapter 11 of the Listing Rules. Accordingly, the Company will seek shareholder approval of this related party transaction at the GM before completion of the Restructuring.

Arfan Khan, Chief Executive Officer of Nostrum Oil & Gas, commented:

"We are delighted to announce an agreement between the Group and the AHG and ICU on the key terms of a sustainable restructuring of the Notes. This agreement removes significant obstacles as we look to negotiate long term contracts to fill the spare capacity in our world class processing facilities and so secure the Group's medium- and long-term future.

We would like to thank the AHG and ICU for their ongoing support and commitment to the Group demonstrated by this agreement. We would also like to thank the advisers who have worked with us on this process and our employees and contractors, who have remained patient and dedicated whilst this agreement has been negotiated and for whom today represents the return of security and stability.

We will continue to work constructively with our financial stakeholders to convert the agreement into long form documents and to take the further steps required to thus fully implement the restructuring."

Summary terms of the Restructuring



The following outlines the material features of the Restructuring:

<p>1. <i>Reinstatement of Notes</i></p> <p>Notes tranches and amounts</p> <p>(a) SSNs in an original principal amount of US\$250,000,000; and</p> <p>(b) SUNS in an original principal amount of US\$300,000,000.</p> <p>The SSNs and SUNS (being together the “New Notes”) will be governed by English law.</p> <p>Material terms of the New Notes:</p> <p>(a) <i>Interest</i> (payable every six months):</p> <ul style="list-style-type: none">(i) SSNs – 5.0% cash; and(ii) SUNs – 1.0% cash and 13.0% payment-in-kind. <p>(b) <i>Interest accrual</i>: Interest shall accrue on the New Notes from 1 January 2022 until the issue date and shall be paid on the issue date in cash to holders of the SSNs and SUNs or in the case of the payment-in-kind component of the SUNs capitalised in accordance with the terms of the SUNs trust deed.</p> <p>(c) <i>Maturity date</i>: 30 June 2026.</p> <p>(d) <i>Repayment price</i>: Par plus accrued and unpaid interest to date of repayment.</p> <p>(e) <i>Covenants</i>: Customary for a restructured bond of this type, including a change of control provision requiring a change of control offer at 101%. No super senior or <i>pari passu</i> indebtedness or liens with respect to the SSNs or SUNs without the consent of holders of at least 50% in principal amount of each of the SSNs and SUNs, except for customary carve outs.</p> <p>(f) <i>Guarantors, security and ranking</i>: Guarantees to be provided on substantially the same terms as under the existing Notes. Subject to receiving necessary Kazakh Ministry of Energy (“MOE”) consent where required, first ranking security interests for SSNs over all of the Group’s assets including, but not limited to: (a) share pledge over each material subsidiary; (b) floating charge over the Company’s assets; and (c) account security over key operational bank accounts (including the Blocked Account and the DSRA (each as defined below)); and second ranking security interests for SUNs over the Blocked Account and DSRA.</p> <p>(g) <i>Amendments and waivers</i>. The New Notes will incorporate English law style amendment and waiver provisions.</p> <p>(h) <i>Intercreditor arrangements</i>: To be agreed, with intercreditor documentation to be based on the LMA standard form.</p> <p>(i) <i>Cashflow arrangements</i>. The following is a brief summary of certain cashflow management arrangements to be put in place as part of the Restructuring:</p> <ul style="list-style-type: none">(i) on (or shortly prior to) the closing of the Restructuring a cash balance sufficient to pay: (i) the next two cash interest payments due on the New Notes; and (ii) the total amount of the Lock-Up Fees shall be deposited into a Debt Service Retention Account (“DSRA”). On each Interest Payment Date following the Release Date, if there is insufficient cash in the DSRA to fund the next two cash interest payments due on the New Notes, a corresponding amount shall be transferred to the DSRA. On the Restructuring Effective Date, the Lock-up Fees will be paid to eligible Noteholders with proceeds from the DSRA. On each interest payment date after closing of the Restructuring, the remaining funds will be released from the DSRA and applied first, to pay cash interest due under the SSNs; and second, to pay cash interest due under the SUNs. After a drawdown has been made from the DSRA to fund cash interest due under the SSNs and the SUNs, cash will be swept to the DSRA in accordance with the terms of the cash sweep mechanism described below;(ii) subject to a minimum cash balance to be retained by the Company which shall be agreed in accordance with the terms of the Lock-up Agreement, all free cash within the Group at closing of the Restructuring shall be applied as follows: (i) first, paid into the DSRA; and (ii) second, the remaining balance (if any) to be paid into an account in the name of the Company pledged and blocked in favour of the trustee for the New Notes (the “Blocked Account”); and(iii) for a period of 30 months (the end of such period, the “Release Date”), cash from the Blocked
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Account may only be released from the Blocked Account with the approval of the majority of independent directors of the Company for the purpose of either: (i) funding capex approved by the Board of the Company (the “**Board**”) (which may include but is not limited to future projects for which the Company has undertaken, or is undertaking, feasibility studies, approved by the Board) (an “**Approved Expenditure**”); (ii) restoring the cash balance of the Company’s other accounts excluding the Blocked Account to the agreed minimum cash balance; or (iii) making arms’ length repurchases for value of the SSNs on the open market and, only once the SSNs have been repaid in full, making arms’ length repurchases for value of the SUNs on the open market.

- (iv) On the Release Date, any amounts standing to the credit of the Blocked Account not committed to, or held in reserve for, an Approved Expenditure or not required to top up the balance of the DSRA to ensure that it is sufficient to fund upcoming cash pay interest due on the New Notes shall be transferred to the paying agent for the New Notes and applied first, against costs and expenses of the trustee or security agent for the New Notes, second applied in repayment of the SSNs and third, applied in repayment of the SUNs.
- (v) At all times following the Release Date, any amounts standing to the credit of the Blocked Account (if any) shall be only released in connection with (i) an Approved Expenditure, (ii) making arms’ length repurchases for value of the SSNs on the open market and, only once the SSNs have been repaid in full, making arms’ length repurchases for value of the SUNs on the open market, or (iii) to top up either the minimum cash balance or the balance of the DSRA to ensure that there is sufficient cash to fund the upcoming cash pay interest due on the New Notes .
- (j) *Conversion*: The SSNs will not be convertible. On maturity, if not to be repaid in cash, the SUNs will be repayable in specie through the issuance of equity of the Company based on the value of the SUNs outstanding on the issuance date as a percentage of the fair market value (“**FMV**”) of the Company, up to a maximum of 99.99% of the Company’s fully diluted equity. The FMV for these purposes is to be determined by an independent third-party in the business of providing professional valuation services, selected by a majority of the independent directors of the Company. Repayment in specie of the SUNs on maturity will require: (i) the consent of holders of 75% in outstanding principal amount of the SUNs; and (ii) where the Company is to be delisted, notification to the Financial Conduct Authority regarding the cancellation of listing.

It is contemplated that the above arrangements with respect to the Notes and the issuance of the SSNs and SUNs shall be effected through an arrangement under either Part 26 or Part 26A of the Companies Act 2006.

2. *Equity*:

Equity holding

The remainder of the existing Notes (after exchange for the New Notes) will be exchanged for equity in the Company. There are three potential scenarios anticipated by the Company. These scenarios are subject to the conversion of the SUNs as referred to above.

Scenario 1

It is currently anticipated that holders of the existing Notes, or their nominee(s), immediately following the closing of the Restructuring will own 88.89% of the share capital of the Company on closing of the Restructuring. The existing Shareholders will retain 11.11% of the share capital on closing of the Restructuring. Equity will be subject to dilution by the Warrants.

A fixed number of Warrants will be issued at closing, which will be held by the warrant trustee, for the benefit of the holders of the SUNs, or their nominee(s), from time to time (the “**Warrant Trustee**”).

The Warrants will be issued to the Warrant Trustee in such amount as will, upon exercise in full (but excluding entitlements under any management incentive plan, long-term incentive plan or similar share scheme) have the effect of increasing shareholding entitlement of the holders of the existing Notes from 88.89% to 90%, based upon the pro forma capitalisation of Nostrum immediately following closing of the Restructuring (the “**Warrants**”).

As part of the implementation of Scenario 1, the Company will require the approval of shareholders at the GM.



Scenario 2

Holders of the existing Notes, or their nominee(s), immediately following the closing of the Restructuring will own 98.89% of the issued share capital of the Company on closing of the Restructuring. The existing Shareholders will retain 1.11% of the share capital on closing of the Restructuring. Equity will be subject to dilution by the Warrants.

The Warrants will be issued to the Warrant Trustee in such amount as will, upon exercise in full (but excluding entitlements under any management incentive plan, long-term incentive plan or similar share scheme) have the effect of increasing shareholding entitlement of the holders of the existing Notes from 98.89% to 99%, based upon the pro forma capitalisation of Nostrum immediately following closing of the Restructuring

It is anticipated that Scenario 2 will be pursued where the shareholders have not passed the necessary resolutions at the GM and therefore Scenario 1 will not be pursued.

In both Scenario 1 and Scenario 2, the Warrants will be exercisable in full upon:

- (a) a breach of covenants or undertakings in relation to the SUNs or the Warrants, in each case, subject to agreed materiality thresholds and cure rights;
- (b) a change in, or breach of, certain governance principles without approval from the Warrant Director (each term as detailed below) (such appointment and approval to be on terms, in accordance with the process, specifically set out in the transaction documentation) ("**Warrant Approval**"), subject to agreed materiality thresholds and cure rights;
- (c) a change to the agreed composition of the Board that has not obtained Warrant Approval; or
- (d) an exit event (as specifically defined in the transaction documentation but including, in principle, any delisting of Nostrum from the London Stock Exchange, a change of control, sale or merger).

Scenario 3

Holders of the SUNs to receive their pro rata share of 100% of the equity of a newly incorporated vehicle which will hold all of the existing assets of the Group. Existing shareholders will not receive any recovery or any interest in such newly incorporated vehicle.

It is anticipated that Scenario 3 will be pursued if for any unforeseen reasons it is not possible to implement the Restructuring as contemplated under Scenario 2.

Further Share Information and Governance

Further material terms of the equity issuances and corporate governance arrangements to be put in place for the Company are referred to below.

Company shares and governance

The Company shares will be issued as set out above. The Company share capital shall be subject to dilution by any new management incentive plan, long-term incentive plan or similar share scheme. The Company will undertake a share consolidation following the issuance described above, so as to achieve an appropriate share price following completion of the Restructuring.

The Company Board composition shall comply with the UK Corporate Governance Code (save for any temporary breaches). The Board shall consist of no fewer than five and no more than nine directors. Upon closing of the Restructuring, the initial Board shall consist of seven directors, comprised of: (i) one Warrant Director (as defined below); (ii) the Chair; (iii) two executive directors; and (iv) three independent non-executive directors, subject to any restrictions relating to independence applicable under any applicable listing rules.

Any directors appointed in addition to the above composition principles shall be independent non-executive directors or a Warrant Director (described in more detail below).

Certain actions by the Company will be reserved matters requiring consent of the Warrant Trustee (acting at the discretion of two-thirds of the holders of the SUNs present and voting on the relevant reserved matter(s)). Those reserved matters will include, without limitation:

- approval of any amendments to the Company articles of association, which are adverse to the rights of the holders of the Warrants;
- certain Group insolvency processes;
- any material adverse alteration to the terms of the Warrants; and



- any change to (or removal of) the listing status of the Company, subject to certain exceptions.

Upon (or as needed following) completion of the Restructuring, it is intended that the Company will transfer to the standard listing segment of the Official List.

Warrant Director

The terms of the Warrants will include the right for the Warrant Trustee to appoint, remove and replace one director to the Board (the “**Warrant Director**”). The method of appointment for the Warrant Director via instructions from holders of the SUNs will be set out in the transaction documentation. Any Warrant Director shall be considered a representative of the Company’s fully diluted equity interests. The Warrant Director shall sit on certain board committees following the closing of the Restructuring, including a remuneration committee, nomination and governance committee and strategic committee. The composition, and objectives, of each of those committees shall be agreed in the transaction documentation.

Implementation

It is contemplated that, in the event the Restructuring proceeds per: (i) Scenario 1 or 2 above, implementation will be through an arrangement under Part 26 or Part 26A of the Companies Act 2006, and potentially parallel proceedings in other jurisdictions; and (ii) Scenario 3 above, implementation will be through a formal insolvency or insolvency related process.

The implementation of the Restructuring is still subject to (among other things) satisfaction of certain conditions precedent, negotiation and execution of all necessary implementation documentation and obtaining all required regulatory consents (including, but not limited to, in Kazakhstan). The Company intends to make relevant applications for such consents in the near future. The Lock-up Agreement contains customary undertakings with respect to the Restructuring and termination events (including for failure to satisfy certain conditions of (and to) the Restructuring by the agreed dates). The Company will also in parallel with the Lock-up Agreement extend the forbearance agreement with the AHG on substantially similar terms to the existing forbearance agreement.

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Further information

For further information please visit www.nog.co.uk

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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.

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 nor 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 relevant 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.