**OFFERING MEMORANDUM**

# U.S.$400,000,000

# Nostrum Oil & Gas Finance B.V.

*(a private company incorporated with limited liability under the laws of the Netherlands (the "**Issuer**"))*

# 6.375% Senior Notes due 2019 (the "Notes")

*Guaranteed on a senior basis by Nostrum Oil & Gas LP and all of its subsidiaries other than the Issuer*

The Notes will bear interest at the rate of 6.375% per year. Interest on the Notes is payable on 14 August and 14 February of each year, beginning on 14 August 2014. The Notes will mature on 14 February 2019. The Issuer may redeem some or all of the Notes at any time on or after 14 February 2017 at the prices and as described under the caption "*Description of Notes—Optional redemption*". Prior to 14 February 2017, the Issuer may redeem all or part of the Notes by paying a "make whole" premium. In addition, prior to 14 February 2017, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes from the proceeds of certain equity offerings.

The Notes will be jointly and severally guaranteed (the "**Guarantees**") on a senior basis by Nostrum Oil & Gas LP (the "**Partnership**") and all of its subsidiaries other than the Issuer (the "**Guarantors**"). The Notes will be the Issuer's and the Guarantors' senior obligations and will rank equally with all of the Issuer's and the Guarantors' other senior indebtedness.

On or subsequent to the issue date, Zhaikmunai LLP (which is the operating subsidiary of Nostrum Oil & Gas LP and which owns most of the assets of Nostrum Oil & Gas LP and its direct and indirect consolidated subsidiaries (together, the "**Group**")) may elect to undertake, upon satisfaction of certain conditions, to be substituted for the Issuer as issuer of the Notes, whereupon it will assume all of the obligations of the Issuer under the Notes (the "**Substitution**"). It is expected that immediately prior to, and in order to facilitate, the Substitution, Zhaikmunai LLP will acquire 100% of the share capital of the Issuer such that the Issuer will become a direct wholly owned subsidiary of Zhaikmunai LLP. See "*Description of Notes—Certain Covenants—Substitution*" for full details regarding the conditions to the Substitution. Immediately following the acquisition by Zhaikmunai LLP of 100% of the share capital of the Issuer, but prior to the Substitution, application may be made by the Issuer for a dual listing of the Notes on the Kazakhstan Stock Exchange (the "**KASE**"). The Issuer and Zhaikmunai LLP will notify the Irish Stock Exchange of any planned or expected Substitution and will provide the relevant disclosure. If the Substitution takes place, the Issuer will become a Guarantor of the Notes.

There is currently no market for the Notes. Application has been made to the Irish Stock Exchange for the approval of this document as Listing Particulars ("**Listing Particulars**"). Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. There can be no assurance that any such application will be successful or that any such listing will be granted or maintained. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC.

**Investing in the Notes involves risks. See "*Risk Factors*" beginning on page 19.**

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**The Notes and the Guarantees have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any other jurisdiction. Accordingly, the Notes and the Guarantees may be offered and sold only to persons reasonably believed to be qualified institutional buyers as defined in and in accordance with Rule 144A under the Securities Act ("Rule 144A") and to persons that are not U.S. persons outside the United States in accordance with Regulation S under the Securities Act ("Regulation S"). Prospective purchasers are hereby notified that the sellers of the Notes may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Notes, see "*Notice to Prospective Investors*", "*Plan of Distribution*" and "*Transfer Restrictions*".**

Копия верна Финансовый директор ТОО "Жаикмунай" ...крота Т.А.

Price for Notes: 100% plus accrued interest, if any, from the issue date.

Citigroup Global Markets Limited, ING Bank N.V., London Branch, JSC Halyk Finance, SIB (Cyprus) Limited and VTB Capital plc (the "**Initial Purchasers**") expect to deliver the Notes to purchasers on or about 14 February 2014 only in book-entry form through the facilities of The Depository Trust Company ("**DTC**").

**Joint Bookrunners**

**Citigroup** **Halyk Finance** **ING**

**Sberbank CIB** **VTB Capital**

**Financial Adviser**

**Mirabaud**

12 February 2014

## IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

This Offering Memorandum has been prepared by us solely for use in connection with the proposed offering of the Notes described in this Offering Memorandum (the "**Offering**"). This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. You are authorised to use this Offering Memorandum solely for the purpose of considering the purchase of the Notes and no person is authorised to give information to you other than that contained in this Offering Memorandum. Distribution of this Offering Memorandum to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised, and any disclosure of any of its contents, without our prior consent, is prohibited. Each prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and not to make any photocopies of this Offering Memorandum, in whole or in part, or any documents contained in this Offering Memorandum or transmit them electronically to any other person. You may not use any information herein for any purpose other than considering an investment in the Notes and you agree that you will hold the information contained in this Offering Memorandum and the transactions contemplated hereby in confidence.

We have furnished the information in this Offering Memorandum. You acknowledge and agree that none of Citigroup Global Markets Limited, ING Bank N.V., London Branch, JSC Halyk Finance, SIB (Cyprus) Limited and VTB Capital plc (together, the "**Initial Purchasers**") nor Mirabaud Securities LLP nor Citibank, N.A., London Branch (the "**Trustee**") make any representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers or the Trustee.

The information contained under the heading "*Exchange Rates*" includes extracts from information and data publicly released by official and other sources. Although we accept responsibility for the accurate extraction and summarisation of such information and data, we accept no further responsibility in respect of such information. In addition, the information set out in relation to sections of this Offering Memorandum describing clearing arrangements, including the sections entitled "*Description of Notes*" and "*Book-Entry, Delivery and Form*", is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear and Clearstream currently in effect. While we accept responsibility for accurately summarising the information concerning DTC, Euroclear and Clearstream, we accept no further responsibility in respect of such information. In addition, this Offering Memorandum contains summaries believed to be accurate with respect to certain documents but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of these documents will be made available to prospective investors upon request.

The Issuer accepts responsibility for the information contained in this Listing Particulars. To the best of the Issuer's knowledge and belief, having taken all reasonable care to ensure such is the case, the information contained in this Listing Particulars is in accordance with the facts and contains no omission likely to affect its import. The Guarantors accept responsibility for the information relating to themselves and their Guarantees contained in this Listing Particulars. To the best of the Guarantors' knowledge and belief, having taken all reasonable care to ensure such is the case, the information contained in this Listing Particulars with regard to themselves and their Guarantees, is in accordance with the facts and does not omit anything likely to affect the import of such information. Some of the information set out under the headings "*Summary*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Business*" includes extracts from information and data, including industry and market data, released by publicly available sources in Europe and elsewhere. The Issuer accepts responsibility for all third party information and data set out in this Listing Particulars and confirms that it has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, the Issuer has not independently verified the accuracy of such information and data and accepts no further responsibility in respect thereof. The information in this Listing Particulars is current only as of the date on the cover and the business and financial condition of the Issuer or the Group and other information in this Listing Particulars may change after that date.

Unless the context indicates otherwise, when we refer to "*we*", "*us*", and "*our*", for the purposes of this Offering Memorandum, we are referring to Nostrum Oil & Gas LP and its subsidiaries (including any of their predecessors).

In making an investment decision, prospective investors must rely on their own examination of the Issuer and the terms of the Offering, including the merits and risks involved. Prospective investors should not construe anything in this Offering Memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the Notes under applicable legal investment or similar laws or regulations. You should base your decision to invest in the Notes solely on information contained in this Offering Memorandum.

The distribution of this Offering Memorandum and the offering and sale of the Notes in certain jurisdictions may be restricted by law. We and the Initial Purchasers require persons into whose possession this Offering Memorandum comes to inform themselves about and to observe any such restrictions. This Offering Memorandum does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or sale would be unlawful.

We reserve the right to withdraw this Offering at any time. We and the Initial Purchasers also reserve the right to reject any offer to purchase the Notes in whole or in part, sell less than the entire principal amount of the Notes offered hereby and to allot to any prospective purchaser less than the full amount of the Notes sought by it for any reason or no reason.

We cannot guarantee that our application for the admission of the Notes to trading on the Global Exchange Market and the listing of the Notes on the Official List of the Irish Stock Exchange will be approved as of the settlement date for the Notes or at any time thereafter and settlement of the Notes is not conditioned on obtaining this listing.

## STABILISATION

IN CONNECTION WITH THIS OFFERING, CITIGROUP GLOBAL MARKETS LIMITED (THE "**STABILISATION MANAGER**") OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER MAY OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER WILL UNDERTAKE ANY STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME BUT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISATION MANAGER) IN ACCORDANCE WITH APPLICABLE LAWS AND RULES.

## NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENCED IN THE STATE OF NEW HAMPSHIRE IMPLIES THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT ANY EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

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## U.S. INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

**PURSUANT TO U.S. INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE NOTES. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

## NOTICE TO PROSPECTIVE INVESTORS

### Notice to Prospective Investors in the United States

The Notes and the Guarantees have not been and will not be registered under the Securities Act, or the securities laws of any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Notes and the Guarantees are being offered and sold in the United States only to persons that are reasonably believed to be qualified institutional buyers in reliance on Rule 144A and outside the United States to non-U.S. persons in offshore transactions in compliance with Regulation S under the Securities Act. Prospective purchasers are hereby notified that the sellers of the Notes may be relying on the exemption from Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain other restrictions on offers, sales and transfers of the Notes and the distribution of this Offering Memorandum, see "*Transfer Restrictions*", "*Notice to New Hampshire Residents Only*" and "*Notice to Certain European Investors*". By purchasing any Notes, you will be deemed to have represented and agreed to all of the provisions contained in those sections of this Offering Memorandum.

**Neither the U.S. Securities and Exchange Commission, any state securities commission nor any other U.S. or non U.S. securities authority has approved or disapproved of the Notes or the Guarantees or passed upon or endorsed the merits of the offering of the Notes or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.**

The Notes are subject to restrictions on transferability and resale and may not be re-offered, resold or transferred except as permitted under the Securities Act pursuant to registration or exemption therefrom and applicable securities laws of any other jurisdiction. Prospective purchasers should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

### Notice to Certain European Investors

#### *European Economic Area*

This Offering Memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under Article 3 of Directive 2003/71/EC (the "**Prospectus Directive**"), as implemented in member states of the European Economic Area (the "**EEA**"), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for us or any of the Initial Purchasers to produce a prospectus for such offer. Neither we nor the Initial Purchasers have authorised, nor do we or they authorise, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum.

In relation to each Member State of the EEA that has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, an offer is not being made and will not be made to the public of any Notes which are the subject of the offering contemplated by this Offering Memorandum in that Relevant Member State, other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of the Notes shall require us or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "*offer of Notes to the public*" in relation to the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and the amendments thereto, including the 2010 PD Amending Directive), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

***The Netherlands***

In the Netherlands, the Notes may be offered free of any restrictions (i) provided that each such Note has a minimum denomination in excess of EUR 100,000 (or the equivalent thereof in non-Euro currency) and (ii) subject to the regulatory notice (*vrijstellingsvermelding*) inserted immediately below, as required by the Dutch Act on Financial Supervision (*Wet op het financieel toezicht*).

**Attention! This investment falls outside AFM supervision.**
**No Offering Memorandum required for this activity.**

***Switzerland***

The offering of the Notes is not a public offering in Switzerland. The Notes offered hereby are being offered in Switzerland on the basis of a private placement only. This Offering Memorandum does not constitute a prospectus within the meaning of Article 652A of the Swiss Federal Code of Obligations.

***United Kingdom***

The issue and distribution of this Offering Memorandum is restricted by law. This Offering Memorandum is not being distributed by, nor has it been approved for the purposes of section 21 of the Financial Services and Markets Act 2000 by, a person authorized under the Financial Services and Markets Act 2000. This Offering Memorandum is directed solely at persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**") (iii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc.) of the Financial Promotion Order or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This Offering Memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents. No part of this Offering Memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Issuer. The Notes are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the Financial Services and Markets Act 2000.

## AVAILABLE INFORMATION

We have agreed that, for so long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, each of the Issuer and the Guarantors will, during any period in which they are neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Trustee for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or the Trustee, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

## ENFORCEABILITY OF JUDGMENTS

***General***

The Issuer was incorporated under the laws of the Netherlands, Nostrum Oil & Gas LP was formed under the laws of the Isle of Man, the other subsidiaries of the Group were formed under the laws of the Netherlands, the British Virgin Islands ("**BVI**") and The Republic of Kazakhstan and all of the Group's operations are located in Kazakhstan. None of the Directors of the General Partner except Atul Gupta, and none of our senior managers, is a resident of the United States or the United Kingdom. Our assets are located outside the United States and the United Kingdom. As a result, it may not be possible for investors to effect service of process within the United States or the United Kingdom upon us, our directors or our executive officers or to enforce against any of them judgments of courts in the United States or the United Kingdom, including judgments predicated upon civil liabilities under the securities laws of the United States or the United Kingdom.

***The Netherlands***

We are advised that there is no enforcement treaty between the Netherlands and the United States providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Therefore, a judgment rendered by any federal or state court in the United States in such matters is not recognised and cannot automatically be enforced in the Netherlands. In order to obtain a judgment that can be enforced in the Netherlands, the dispute will have to be re-litigated before the competent Dutch court. This court will have discretion to attach such weight to the judgment of any federal or state court in the United States as it deems appropriate. Given the submission by the Dutch companies to the jurisdiction of the relevant courts in the United States, the Dutch courts can in principle be expected to give conclusive effect to a final and enforceable judgment of such court in respect of the contractual obligations under the relevant document without re-examination or re-litigation of the substantive matters adjudicated upon. This would require (i) the Dutch courts being satisfied that the federal or state court in the United States had jurisdiction over the proceedings, (ii) proper service of process to have been given, (iii) the proceedings before such court to have complied with principles of proper procedure (*behoorlijke rechtspleging*), (iv) the judgment to be final and conclusive in such a way that all appeals have been exhausted and no other remedy could be obtained from a competent individual body, and (v) such judgment not being contrary to the public policy of the Netherlands. However, no assurance can be given that the Dutch courts will give such effect to a final and enforceable judgment of the relevant United States courts. In addition, it is doubtful whether a Dutch court would accept jurisdiction and impose civil or other liability in an original action commenced in the Netherlands and predicated solely upon United States federal securities laws.

***Kazakhstan***

We are advised that Kazakhstan's courts will not enforce any judgment obtained in a court established in a country other than Kazakhstan unless there is in effect a treaty between such country and Kazakhstan providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is no such treaty between Kazakhstan and the United States or the United Kingdom. Since Kazakhstan is a party to the 1958 New York Convention on Recognition and Enforcement of Arbitral Awards (the "**Convention**"), foreign arbitration awards are generally recognised and enforceable in Kazakhstan, subject to qualifications provided in the Convention and in the laws of Kazakhstan.

***Isle of Man***

Nostrum Oil & Gas LP was formed under the laws of the Isle of Man. We are advised that any judgment for a fixed sum of money obtained against Nostrum Oil & Gas LP in the High Court of England will be enforceable against it in the Isle of Man in accordance with the provisions of the Judgments (Reciprocal Enforcement) (Isle of Man) Act 1968 *provided that* such judgment is final and conclusive and is not obtained by fraud or contrary to public policy of the Isle of Man at the time or contrary to the rules of natural justice in the Isle of Man at the time and *provided that* the correct procedures under the laws of the Isle of Man (including registration of the English judgment with the Isle of Man courts) are complied with. There is no statutory procedure in the Isle of Man for the recognition or enforcement of judgments of the state or federal courts of the United States. However, under Isle of Man common law, a foreign judgment *in personam* or given by the courts of the United States with jurisdiction to give that judgment may be recognised and enforced by an action for the amount due under it *provided that* the judgment: (i) is for a debt or definite sum of money (not being a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty); (ii) is final and conclusive; (iii) was not obtained by fraud; (iv) is not one whose enforcement would be contrary to public policy in the Isle of Man at the time; and (v) was not obtained in proceedings which were opposed to natural justice in the Isle of Man at the time.

***British Virgin Islands***

*Enforcement of Judgments of the Courts of England and Wales*

Any final and conclusive monetary judgment obtained against Nostrum Oil & Gas LP or any of its subsidiaries in the courts of England and Wales, for a definite sum, may be registered and enforced as a judgment of the British Virgin Islands court if application is made for registration of the judgment within twelve months or such longer period as the court may allow, and if the British Virgin Islands court considers it just and convenient that the judgment be so enforced. Alternatively, the judgment may be treated as a cause of action in itself so that no retrial of the issues would be necessary. In either case, it will be necessary that in respect of the foreign judgment:

- the court issuing the judgment had jurisdiction in the matter and Nostrum Oil & Gas LP or the relevant subsidiary either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process;
- the judgment given by the court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations of Nostrum Oil & Gas LP or the relevant subsidiary;

- in obtaining judgment there was no fraud on the part of the person in whose favour judgment was given, or on the part of the court;
- recognition or enforcement of the judgment in the British Virgin Islands would not be contrary to public policy;
- the proceedings pursuant to which judgment was obtained were not contrary to natural justice; and
- the judgment given by the court is not the subject of an appeal.

*Enforcement of Judgments of the Courts of the United States*

Any final and conclusive monetary judgment obtained against Nostrum Oil & Gas LP or any of its subsidiaries in the courts of the United States for a definite sum may be treated by the courts of the British Virgin Islands as a cause of action in itself so that no retrial of the issues would be necessary *provided that* in respect of such judgment:

- the court issuing the judgment had jurisdiction in the matter and Nostrum Oil & Gas LP or the relevant subsidiary either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process;
- the judgment given by the court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations of Nostrum Oil & Gas LP or the relevant subsidiary;
- in obtaining judgment there was no fraud on the part of the person in whose favour judgment was given or on the part of the court;
- recognition or enforcement of the judgment in the British Virgin Islands would not be contrary to public policy; and
- the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

**THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.**

## FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements. All statements other than statements of historical facts included in this Offering Memorandum, including, without limitation, those which reflect our current views or, as appropriate, those of our directors, with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to our business) are forward looking statements. These forward-looking statements relate to the Group and the sectors and industries in which it operates. Statements that include the words "expects", "intends", "plans", "believes", "anticipates", "will", "targets", "may", "would", "could", "continue" and similar statements of a future or forward-looking nature identify forward-looking statements for purposes of the U.S. federal securities laws or otherwise.

All forward-looking statements included in this Offering Memorandum involve known and unknown risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results, performance or achievements to differ materially from those indicated in these statements. These factors include, but are not limited to, those described in the part of this Offering Memorandum entitled "*Risk Factors*", which should be read in conjunction with the other cautionary statements that are included in this Offering Memorandum. Other important factors that could cause actual results to differ materially from our expectations include, among others, the following:

- volatility and future decreases in crude oil, gas, refined products and other commodity world prices and related fluctuations in demand for such products;
- operational risks and limitations, including lack of availability and failures of equipment, labour disputes and processing limitations;
- unplanned events or accidents affecting the Group's operations or facilities, including the Group's existing gas treatment facility and construction of the third gas treatment unit;
- cancellation, delay, non-completion and cost overruns in relation to the Group's current and future projects;
- the availability or cost of transportation services and fees and expenses charged for providing or arranging transportation;
- the inability of the Group to accurately predict its future decommissioning liabilities;
- the uncertainty and expense inherent in the Group's exploration, appraisal, development and production projects;
- changes in governmental laws and regulations, including unfavourable tax laws, changes in royalties and production sharing requirements, regulatory changes affecting the availability of permits and licences, and governmental actions that may affect operations or the Group's planned expansion;
- the Group's ability to raise additional financing, and the availability and cost of debt and other financing;
- the ability of the Group to attract and retain qualified senior management, technical and other personnel and consultants;
- unfavourable changes in economic, social or political conditions in Kazakhstan and adverse sovereign action by the Republic of Kazakhstan (the "**Kazakh Government**");
- incidents or conditions affecting the export of crude oil, gas and other hydrocarbon products;
- lower than estimated or expected crude oil and gas reserves and resources, and the quality and production volumes thereof;
- reservoir performance, drilling results and implementation of the Group's expansion plans;
- difficulties complying with obligations under licenses, permits, the PSA and the Subsoil Use Agreements, and environmental and other legal requirements;
- difficulties maintaining or increasing the capacity utilisation of the Group's production facilities;
- risks associated with customer concentration;
- reliance on third parties for construction, drilling and other services;
- claims of secured creditors of the Issuer or the Guarantors will have priority with respect to their security over the claims of creditors who do not have the benefit of such security, such as the holders of the Notes;
- financial covenants in the Group's debt instruments;
- risks associated with the Offering, the Notes or the Guarantees; and
- other factors discussed or referred to in this Offering Memorandum.

We urge you to read the sections of this Offering Memorandum entitled "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Regional Overview of the Oil and Gas Industry*," "*Business*" and "*Regulation in Kazakhstan*" for a more complete discussion of the factors that could affect our future performance and the markets in which we operate. The oil and gas industry changes rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this Offering Memorandum are subject to a significant degree of risk. These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Offering Memorandum, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement or risk factors contained herein, to reflect new information, any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

We disclose important factors that could cause our actual results to differ materially from our expectations in this Offering Memorandum. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf. When we indicate that an event, condition or circumstance could or would have an adverse effect on us, we mean to include effects upon our business, financial and other conditions, results of operations and our ability to make payments on the Notes.

## PRESENTATION OF FINANCIAL, RESERVES AND OTHER INFORMATION

### *Financial Information*

The financial statements of Nostrum Oil & Gas LP and its subsidiaries contained in this Offering Memorandum have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). Nostrum Oil & Gas LP is the indirect holding entity of Zhaikmunai LLP ("**Zhaikmunai**"), a limited liability partnership formed under the laws of Kazakhstan and the Group's sole operating subsidiary. This Offering Memorandum contains unaudited interim condensed consolidated financial statements of Nostrum Oil & Gas LP and its subsidiaries as at and for the nine months ended 30 September 2013 and 2012 and audited consolidated financial statements of Nostrum Oil & Gas LP and its subsidiaries as at and for the years ended 31 December 2012, 2011 and 2010 (together, the "**Financial Statements**").

Nostrum Oil & Gas LP is also presenting unaudited consolidated financial information for Nostrum Oil & Gas LP and its subsidiaries for the twelve months ended 30 September 2013 and 2012. The unaudited consolidated financial information for the twelve months ended 30 September 2013 is calculated by taking the results of operations for the nine months ended 30 September 2013 and adding to it the difference between the results of operations for the full year ended 31 December 2012 and the historical nine months ended 30 September 2012. The unaudited consolidated financial information for the twelve months ended September 30, 2012 is calculated by taking the results of operations for the nine months ended 30 September 2012 and adding to it the difference between the results of operations for the full year ended 31 December 2011 and the historical nine months ended 30 September 2011. The unaudited consolidated financial information for the twelve months ended 30 September 2013 and 2012 has been prepared for illustrative purposes only and is not necessarily representative of the results of operations of Nostrum Oil & Gas LP for any future period or our financial condition at any future date.

As presented in this Offering Memorandum, "**EBITDA**" means profit before income tax, foreign exchange loss/(gain), losses and unrealised gains on derivative financial instruments, employee share option plan expense, road maintenance expense, depreciation, depletion and amortisation, interest income, finance costs, other expenses/(income), capitalisation of net proceeds from GTF test production and "**EBIT**" means profit before income tax, foreign exchange loss/(gain), losses and unrealised gains on derivative financial instruments, employee share option plan, road maintenance expense, interest income, other expenses/(income). EBITDA and EBIT are supplemental measures of the Group's performance and liquidity that are not required by or presented in accordance with IFRS. Furthermore, EBITDA and EBIT should not be considered as alternatives to net income, profit before income tax or as an alternative to cash flow from operating activities as a measure of the Group's liquidity or as a measure of cash available to the Group to invest in the growth of its business.

Although Nostrum Oil & Gas LP does not currently employ EBITDA as a measure for internal valuations, Nostrum Oil & Gas LP presents EBITDA in this Offering Memorandum because Nostrum Oil & Gas LP believes it is frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, most of which present EBITDA when reporting their results. Nostrum Oil & Gas LP presents EBIT because Nostrum Oil & Gas LP believes that it provides a useful measure for evaluating its ability to generate cash and its operating performance without taking into account the costs it incurs for depreciation. Nevertheless, EBITDA and EBIT have limitations as analytical tools and they should not be considered in isolation from, or as a substitute for, analysis of Nostrum Oil & Gas LP's results of operations and cash flows. As a measure of performance, EBITDA and EBIT present some limitations for the following reasons:

- they do not reflect the Group's cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, the Group's working capital needs;
- they do not reflect gains or losses in hedging or foreign exchange contracts;
- they do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Group's debt;
- they do not capture differences in income taxes, which may be significant even for companies operating in the same sector or country;
- in the case of EBITDA, although depreciation and amortisation are non-cash charges, the assets being depreciated will often have to be replaced in the future and EBITDA does not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate these measures differently from the way we do, limiting the usefulness of these measures as a comparative measure.

***Rounding***

Certain figures contained in this Offering Memorandum, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this Offering Memorandum may not conform exactly to the total figure given for that column or row.

## Certain Reserves Information

***Cautionary Note to U.S. Investors***

The SEC permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that the Group has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. The reserves data presented in this Offering Memorandum have been estimated at the request of the Group by Ryder Scott Company L.P., an international oil and gas consultant ("**Ryder Scott**"), according to definitions and disclosure guidelines contained in the Society of Petroleum Engineers ("**SPE**"), the World Petroleum Council (the "**WPC**"), American Association of Petroleum Geologists ("**AAPG**") and Society of Petroleum Evaluation Engineers ("**SPEE**") Petroleum Resources Management System ("**SPE-PRMS**") and thus proved reserves may differ from those estimated according to definitions used by the SEC. Further, the Group uses certain terms in this Offering Memorandum in referring to its reserves, such as "probable" or "possible" reserves, or its resources that the SEC's guidelines would prohibit it from including in filings with the SEC if the Group were subject to reporting requirements under the United States Securities Exchange Act of 1934 (the "**Exchange Act**"). Prospective investors should read "*Business—Operations—Oil and Gas Reserves*" and the report produced by Ryder Scott on the Group's reserves and resources as at 31 August 2013 dated 16 December 2013 (the "**2013 Ryder Scott Report**") contained in this Offering Memorandum, for more information on the Group's reserves and resources and the reserves and resources definitions that the Group uses.

Prospective investors should read "*Business—Operations—Oil and Gas Reserves*" and the 2013 Ryder Scott Report for more information on the Group's reserves and resources, the assumptions, methods and procedures used in the preparation of the reserve and resource estimates and the underlying assumptions thereof and the reserves and resources definitions that the Group uses.

***Hydrocarbon Data***

*General*

The Group uses standards established by the SPE-PRMS. Additionally, Zhaikmunai LLP is obliged to submit data according to Kazakh standards for reporting purposes to State bodies. Kazakhstan's method of classifying oil reserves is based on a system employed in the former Soviet Union and differs substantially from the standard international methodology. Since 2004, the Group has engaged Ryder Scott to conduct reviews of the Group's hydrocarbon reserves and resources. Unless otherwise stated herein, the estimates set forth in this Offering Memorandum of the Group's proved, probable and possible reserves and resources are based on reports prepared for the Group by Ryder Scott in accordance with the standards established by the SPE-PRMS. For further information regarding these standards see the 2013 Ryder Scott Report contained in this Offering Memorandum.

For internal record-keeping purposes, the Group records information relating to production, transportation and sales of crude oil and gas condensate in tonnes, a unit of measure that reflects the mass of the relevant hydrocarbon, and, accordingly, the Group presents such information on the same basis in this Offering Memorandum. References in this Offering Memorandum to "tonnes" are to metric tonnes. One metric tonne equals 1,000 kilograms.

*Presentation in the 2013 Ryder Scott Report*

The 2013 Ryder Scott Report reports its estimations as follows:

- oil and condensate in standard 42 gallon barrels ("**barrels**" or "**bbl**");
- LPG (plant products) in barrels; and
- gas in millions of cubic feet ("**mmcf**").

*Presentation in this Offering Memorandum*

For information purposes only, the Group has presented its estimations in this Offering Memorandum as follows:

- oil and condensate in barrels and barrels per day. Barrel figures are extracted from the 2013 Ryder Scott Report or converted from the Group internal records presented in tonnes at a rate of 8.29 barrels per tonne for condensate and 7.78 barrels per tonne for oil. Barrel per day figures have been obtained by dividing annual figures by 365;

- LPG in barrels. Barrel figures are extracted from the 2013 Ryder Scott Report; and
- gas in: (i) cubic metres (converted by the Group at a rate of 35.315 cubic feet per cubic metre) and (ii) barrels of oil equivalent ("**boe**") (converted by the Group at a rate of 5,326.5 cubic feet per boe). These conversion rates take into account the specific calorific values of each of the Group's gas-producing reservoirs. The exception to this is that the Group's possible gas reserves have been converted by Ryder Scott at the industry standard rate for natural gas at 6,000 cubic feet per boe.

The actual number of barrels of crude oil produced, shipped or sold may vary from the barrel equivalents of crude oil presented herein, as a tonne of heavier crude oil will yield fewer barrels than a tonne of lighter crude oil. The conversion of data for other companies in tonnes into barrels and from cubic feet into boe may be at different rates.

In respect of the Chinarevskoye Field, the Group has presented herein total gross proved, probable and possible reserves data for the aggregate of crude oil, condensate, LPG and gas (before the terms of the Chinarevskoye production sharing agreement with the Republic of Kazakhstan). In respect of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields, the Group has presented herein total net probable and possible reserves data for the aggregate of crude oil, condensate, LPG and gas (after the terms of the relevant subsoil use licences). This discrepancy is because, under the PSA in respect of the Chinarevskoye Field, the Group owns the gross reserves whereas the Group is only entitled to the net reserves pursuant to the subsoil use licences in respect of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields. The 2013 Ryder Scott Report does not include total proved and probable reserves figures and the Group has determined these totals using the conversion rates above. Total possible reserves figures included in this Offering Memorandum have been taken from the 2013 Ryder Scott Report.

*Discrepancies in Terminology*

This Offering Memorandum and the 2013 Ryder Scott Report use different terminology. For example, the 2013 Ryder Scott Report refers to "plant products" in its reserves and resources estimates, whereas this Offering Memorandum refers to these reserves and resources as LPG, including propane and butane.

*Third-Party Information Regarding the Group's Market and Industry*

Statistical data and other information appearing in this Offering Memorandum relating to the oil and gas industry in the Republic of Kazakhstan have, unless otherwise stated, been extracted from documents and other publications released by the President of Kazakhstan, the Statistics Agency of Kazakhstan, the Ministry of Finance of Kazakhstan, the Competent Authority, the National Bank of Kazakhstan ("**NBK**") and other public sources in Kazakhstan, including the NBK's Annual Report, as well as from Kazakh press reports and publications and edicts and resolutions of the Kazakh Government and the World Bank and International Monetary Fund. Some of the market and competitive position data has been obtained from U.S. government publications and other third-party sources, including publicly available data from the World Bank, the Economist Intelligence Unit, the annual BP Statistical Review of World Energy, as well as from Kazakh press reports and publications, and edicts and resolutions of the Kazakh Government. In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source.

The information described above has been accurately reproduced and, as far as the Group is aware and has been able to ascertain from information published by those sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third-party information has been used in this Offering Memorandum the source of such information has been identified.

This Offering Memorandum contains illustrations and charts derived from the Group's internal information, which have not been independently verified unless specifically indicated.

## EXCHANGE RATES

The following table sets forth for the periods indicated, the period high, period low, period average and period-end Bloomberg Composite Rates expressed in Tenge ("**KZT**") per U.S.$1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for a partial month, means the average of the daily Bloomberg Composite Rate during that month, or partial month, as the case may be.

| | High | Low | Average | Period End |
|---|---|---|---|---|
| | *(KZT per U.S. Dollar)* | | | |
| **Year ended 31 December:** | | | | |
| 2013 | 154.52 | 150.23 | 152.22 | 154.27 |
| 2012 | 150.89 | 147.55 | 149.15 | 150.44 |
| 2011 | 148.49 | 145.23 | 146.66 | 148.49 |
| 2010 | 148.39 | 146.41 | 147.36 | 147.37 |
| 2009 | 152.98 | 120.88 | 147.76 | 148.39 |
| 2008 | 120.88 | 119.68 | 120.37 | 120.88 |
| **Month:** | | | | |
| January 2014 | 155.51 | 154.35 | 154.96 | 155.51 |
| February 2014 (through 7 February) | 155.67 | 155.58 | 155.62 | 155.67 |

The Group's functional and presentational currency is the U.S. Dollar. The above rates may differ from the actual rates used in the preparation of Nostrum Oil & Gas LP's financial information and other financial information appearing in this Offering Memorandum. The inclusion of these exchange rates is not meant to suggest that the Tenge amounts actually represent such U.S. Dollar amounts or that such amounts have been or could have been converted into U.S. Dollars at any particular rate, if at all.

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## SUMMARY

*This summary highlights information contained elsewhere in this Offering Memorandum about the offering and our business, financial performance and prospects. This summary does not contain all of the information that may be important to you in deciding to invest in the Notes and it is qualified in its entirety by the more detailed information and financial statements included elsewhere in this Offering Memorandum. You should read the entire Offering Memorandum, including the section entitled "Risk Factors" and the financial statements and related notes contained in this Offering Memorandum before making an investment decision.*

### Overview

Nostrum Oil and Gas LP ("**Nostrum**") is an independent oil and gas enterprise engaged in the exploration and production of oil and gas products in North-Western Kazakhstan. Nostrum, through its indirectly wholly-owned subsidiary Zhaikmunai LLP, is the owner and operator of four fields in Kazakhstan, the Chinarevskoye Field and the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye development fields. The Group's primary field and Licence area is the Chinarevskoye Field located in the northern part of the oil-rich Pre-Caspian Basin.

For the nine months ended 30 September 2013, the Group had total revenue, EBITDA and net cash flows from operating activities of U.S.$657 million, U.S.$412 million and U.S.$230 million, respectively. For the year ended 31 December 2012, the Group had total revenue, EBITDA and net cash flows from operating activities of U.S.$737 million, U.S.$457 million and U.S.$292 million, respectively. The Group had average daily production of 45,414 boepd and 36,940 boepd for the nine months ended 30 September 2013 and the year ended 31 December 2012, respectively.

The Chinarevskoye Field, approximately 274 square kilometres in size, is located in the West-Kazakhstan oblast, near the border between Kazakhstan and Russia, and close to the main international railway lines in and out of Kazakhstan as well as to several major oil and gas pipelines. The Chinarevskoye Field has been Nostrum's only source of production from 2007 to date. Based on the 2013 Ryder Scott Report, as at 31 August 2013, the estimated gross proved plus probable hydrocarbon reserves at the Chinarevskoye Field were 483.3 million boe, of which 193.2 million bbl was crude oil and condensate, 72.4 million bbl was LPG and 216.8 million boe was sales gas. According to the 2013 Ryder Scott Report, the Chinarevskoye Field also contains approximately 76.2 million boe of gross possible hydrocarbon reserves.

Nostrum's operational facilities are located in the Chinarevskoye Field and consist of an oil treatment unit capable of processing 400,000 tonnes per year of crude oil, multiple oil gathering and transportation lines including an oil pipeline from the field to its oil loading rail terminal in Rostoshi near Uralsk, a 17 kilometre gas pipeline from the field to the Orenburg-Novopskov pipeline, a gas powered electricity generation system, warehouse facilities, an employee field camp and the gas treatment facility. The first phase of the gas treatment facility, consisting of two units, became fully operational in 2011 and has enabled Nostrum to produce marketable liquid condensate (a product lighter than Brent crude oil) and LPG from the gas condensate stream.

Following the successful completion of the first phase of the gas treatment facility, consisting of two units, Nostrum intends to build a third unit for the gas treatment facility by mid-2016. Management currently estimates that the construction of this third unit will cost approximately U.S.$500 million (U.S.$23 million of which had already been incurred as at 30 September 2013) and will be funded by cash from operations.

On 24 May 2013, the Group notified the Competent Authority of the completion of the acquisition for U.S.$16 million of three oil and gas development fields, Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye, also located in the Pre-Caspian basin to the North-West of Uralsk, approximately 60 to 120 kilometres from the Chinarevskoye Field. These development fields are approximately 139 square kilometres in size. According to the 2013 Ryder Scott Report, as at 31 August 2013, the estimated net probable hydrocarbon reserves at these three fields were 98.2 million boe with an additional 33.6 million boe of net possible hydrocarbon reserves.

### Key Strengths

The Directors believe that the key strengths of the Group are as follows:

- *Substantial reserve base*

  According to the 2013 Ryder Scott Report, as at 31 August 2013, the estimated gross proved plus probable hydrocarbon reserves at the Chinarevskoye Field were 483.3 million boe. These estimated reserves comprise proved crude oil and gas condensate reserves of 79.5 million bbl and 113.7 million bbl of probable crude oil and gas condensate reserves, together with 90.2 million boe of proved gas reserves and probable gas reserves of 127.5 million boe and 29.5 million boe of proved LPG reserves and probable LPG reserves of 42.9 million boe. In addition,

according to the 2013 Ryder Scott Report, the estimated net probable hydrocarbon reserves at the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields were 98.2 million boe as at 31 August 2013.

- *Proven ability to develop and replenish existing reserves*

  According to management estimates based on data included in reserves reports prepared by Ryder Scott, since 1 January 2004 Nostrum has increased its gross proved hydrocarbon reserves from 28 million boe to 199.2 million boe, as at 31 August 2013, as well as increasing its probable hydrocarbon reserves from 170 million boe to 382.3 million boe (including the gross probable reserves attributable to the Chinarevskoye Field and the net reserves attributable to the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields), as at 31 August 2013. This has been achieved through ongoing appraisal and exploration work on the Chinarevskoye Field overseen by the current management team, as well as the acquisition of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields. Additionally, over the past three years, the Group has been able to successfully replenish its proved and probable reserves base notwithstanding increased production during this period.

- *Strong balance sheet and cash flow generation*

  The Group has continued to demonstrate sustained revenue and significant cash flow generation. Since commencing operations in 2004, the Group has substantially grown its revenue through exploration activities and by expansion of its product base, as well as substantial growth in production and sale of hydrocarbons. The Group's EBITDA for the nine months ended 30 September 2013 was U.S.$412.0 million compared to U.S.$340.4 million for the nine months ended 30 September 2012. The improvement in operations has enabled the Group to achieve strong organic growth.

- *Strong track record of production growth within the Chinarevskoye Field with a further significant increase expected*

  Nostrum has a strong track record of successful exploration and production within the Licence area. Analysis by Nostrum personnel of 3-D seismic surveys covering the entire Chinarevskoye Field has allowed Nostrum to position wells effectively. In addition, management has deployed advanced drilling techniques to exploit the Biski-Afoninski reserves which are located in vertically and horizontally fragmented segments including drilling deep wells (between approximately 5,000-5,500 metres), drilling multiple wells and undertaking horizontal drilling (up to 1,000 metres). Further, primarily as a result of the first phase of the gas treatment facility reaching design capacity by the end of 2012, hydrocarbon production increased to an average of 46,370 boepd for the six months ended 30 June 2013, an increase of 23.9% compared to an average of 35,298 boepd for the six months ended 30 June 2012. Hydrocarbon production for the nine months ended 30 September 2013 was an average of 45,414 boepd. Management estimates, based on the production profile of both proved and probable reserves reported in the 2013 Ryder Scott Report and assuming the successful completion of the second phase of the gas treatment facility by the middle of 2016, that annual production will more than double from the 2013 annual production by the end of 2016. Nostrum currently plans to employ the same exploration and production methods it uses within the Chinarevskoye Field at its three new development fields.

- *Advantageous location to access export infrastructure*

  Nostrum's facilities are located in western Kazakhstan approximately 10 kilometres from the Russian border, which reduces overall transportation distances from the Group's production operations to ultimate purchasers of its oil in European markets (as compared to other Kazakh oil and gas producers). In addition, Nostrum's operations are located close to various transportation routes, being 17 kilometres from the Orenburg-Novopskov gas pipeline and less than 100 kilometres from rail links and the Atyrau-Samara oil pipeline. Nostrum's oil pipeline from its field to its rail terminal in Rostoshi near Uralsk gives Nostrum direct access to the rail terminal and an option for a direct connection to the export pipeline to Samara which is crossed by the Group's pipeline. Nostrum's closer proximity to export infrastructure compared with other Kazakh oil and gas producers provides it with a competitive advantage and allows it to benefit from reduced transportation costs.

- *Stable tax and royalty payment terms under the PSA and strong relationship with regulators and authorities*

  The Group currently benefits from a relatively stable tax and royalty payment burden under the PSA for the Chinarevoskoye field as the terms of the PSA have been "grandfathered" from its signing in 1997. As such, the terms of the PSA allow Nostrum to estimate the Kazakh Government's share of production revenue with reasonable certainty (although the Kazakh Government could seek to restrict or amend such "grandfathering"—see "*Risk Factors—Risk Factors Relating to Kazakhstan—The Group is exposed to the risk of adverse sovereign action by the Kazakh Government*"). The Group has amended the terms of the PSA on ten previous occasions and the Group is regularly in discussions with regulators about the terms of the PSA and issues that impact the Group's operations.

- *Strong and highly experienced management team*

The Group benefits from management with significant experience in the oil and gas sector in general, and Kazakhstan in particular. The current senior executive team have worked together for Nostrum since 2005 and Nostrum's Chief Executive Officer has worked since 1985 in the oil and gas industry, including approximately 11 years' experience working in emerging markets for the Gaz de France group. In addition, Nostrum has experienced senior managers in key departments, including geology, drilling, production and engineering, with an average experience of 22 years in the oil and gas industry.

- *High quality crude oil*

  The crude oil produced by Nostrum is a high quality "sweet" crude oil with an average API gravity of 42-43° and a low sulphur content of approximately 0.4%. The high quality of its crude oil allows Nostrum to sell its crude oil at a smaller discount to Brent crude than other oil producers in the region.

**Business Strategy**

Nostrum's long-term objective is to further consolidate its position as one of the leading independent oil and gas companies in Kazakhstan. The first phase of development of the Chinarevskoye Field has now been completed. Its infrastructure, including the first phase of development of the gas treatment facility consisting of two units, is fully operational and average daily production currently runs above 45,000 boepd.

The Group is now planning to build an additional unit for the gas treatment facility by mid-2016 and commence the second phase of development of the Chinarevskoye Field. In addition, the Group intends to complete the initial appraisal of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye development fields by the end of 2015.

The constituents of the Group's strategy in delivering the future growth potential of the Group comprise:

- *Delivering Organic Production Growth*

  The Group aims to double production levels from the Chinarevskoye Field by the end of 2016. To enable this, it plans to construct a third unit for the gas treatment facility in the vicinity of the existing two units, which can currently treat a total of 1.7 billion cubic metres of raw gas per year. The Group plans for the third unit to increase production capacity by 2.5 billion cubic metres of gas, bringing the total capacity of the gas treatment facility to 4.2 billion cubic metres of gas annually once all three units are fully operational. The Group expects to benefit from the technical expertise and significant experience gained from the construction of the first two units of the gas treatment facility in the construction of the third unit.

  The development plan for the third gas treatment unit includes the front end engineering design, the selection of third parties, construction, commissioning and production ramp-up. The decision to initiate the construction is predicated on meeting Nostrum's internal macroeconomic environment conditions and financial criteria, including cash management. Nostrum has a hedging policy whereby it hedges against adverse oil price during times of considerable non scalable capital expenditure. Based on the contracts Zhaikmunai LLP has entered in to with various equipment suppliers for the third gas treatment unit and the fact that further contracts will be entered into over the coming months Nostrum is closely monitoring the hedging market and may in the near future enter into a hedge to cover a portion or all of its non-scalable capital expenditure linked to the construction of the third gas treatment unit.

  Management estimates that the capital expenditure required to build the third gas treatment unit will not exceed U.S.$500 million (U.S.$23 million of which had already been incurred as at 30 September 2013) and the unit is planned to be fully funded from operational cash flow between 2014 and 2016, and will also cover items such as renewing and expanding the oil treatment facility. Management believes that all other existing infrastructure owned and operated by the Group, such as pipelines and rail terminals, has sufficient capacity to accommodate at least a 100% increase from current production levels.

  Under the existing oil price environment, the current drilling plan foresees approximately 50 wells during the 2014 to 2018 period. Management estimates, based on the production profile of both proved and probable reserves reported in the 2013 Ryder Scott Report and assuming the successful completion of the second phase of the gas treatment facility by the middle of 2016, that annual production will more than double from the 2013 annual production by the end of 2016.

- *Actively Pursuing Reserve Growth*

  The 2013 Ryder Scott Report reported estimated gross proved reserves of 199.2 million boe as at 31 August 2013, an increase of 17.8% compared to 1 January 2012. Over the last four years, drilling has focused mainly on production wells in order to secure feedstock for the gas treatment facility. Now that such feedstock is in place, the focus will be

on a renewed appraisal drilling programme in order to transfer more of the Group's possible and probable reserves into proved reserves.

The Group's ongoing appraisal programme will focus on the Chinarevskoye Field's probable reserves (284.1 million boe as at 31 August 2013) and possible reserves (76.2 million boe as at 31 August 2013), as well as the initial appraisal of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye development fields. Nostrum's long-term target is to increase the Group's proved reserves base to up to 700 million boe, by converting existing probable and possible reserves, adding reserves from the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye development fields and potential further acquisitions.

Nostrum was granted an extension of its exploration permit within the Chinarevskoye Field following the execution of a tenth supplementary agreement to the PSA on 28 October 2013. The tenth supplementary agreement extended the exploration period, other than for the Tournaisian horizons, to 26 May 2014. In addition, Nostrum currently estimates that it will cost approximately U.S.$85 million to conduct the necessary appraisal activities for the appraisal and development of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye development fields, which commenced in 2013, initially through 3D seismic acquisition.

- *Developing a Multi-Field Model*

  The Group is also pursuing a strategy of growth through value-accretive acquisitions. This is in line with its desire to leverage existing infrastructure to add further reserves at low finding costs. The recent acquisition of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields, all of which are located between 80 kilometres and 120 kilometres from the existing gas treatment facility, for total consideration of U.S.$16 million, represented the first such acquisition pursuant to this strategy. The acquisition of data on these three fields commenced in 2013 and appraisal is expected to conclude in 2015.

  The Group evaluates opportunities for acquisitive growth on a continuous basis, with a focus on North-Western Kazakhstan where practicable, but it will also consider opportunities in the surrounding areas.

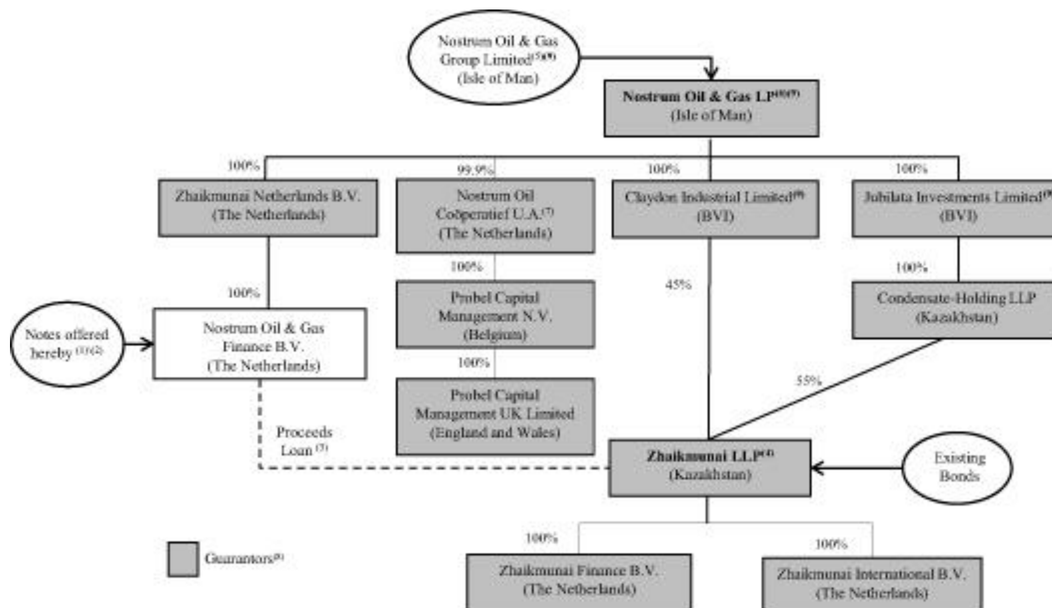
- *Making Sustainable Development a Priority*

  The Group's long presence in Kazakhstan has led to a natural, gradual and ambitious involvement in sustainable development. Over the years, it has built a comprehensive corporate social responsibility roadmap comprised of employee security and welfare, investment in community building and environmental protection and reporting. Each of these priorities is now taken up in the overall yearly management plan and monitored against specific voluntary as well as compliance objectives. As such, the Group continues to strive to improve and implement new policies each year in order to integrate further sustainability in all of its operations.

  The Group sees corporate social responsibility as an important indicator of non-financial risk and is regularly developing internal best practices to improve its standards. This is an important standalone part of Nostrum's strategy while it is also complementary to all of the other strategic initiatives. Sustainable development will remain a priority in 2014 and onwards.

**Corporate Structure**

The following chart shows a simplified summary of the corporate and financing structure of Nostrum and its subsidiaries adjusted to give effect to the offering of the Notes. The chart does not give effect to the Substitution (see "*Summary—The Substitution*").




(1) The Notes will be guaranteed by Nostrum Oil & Gas LP and all of its subsidiaries (other than the Issuer). The Issuer will also guarantee the notes initially issued by Zhaikmunai Finance B.V. that bear interest at the rate of 10.5% per year and mature on 19 October 2015 (the "**2015 Bonds**") and the notes initially issued by Zhaikmunai International B.V. that bear interest at the rate of 7.125% per year and mature on 13 November 2019 (the "**2019 Bonds**" and, together with the 2015 Bonds, the "**Existing Bonds**").

(2) The Issuer expects to receive gross proceeds of U.S.$400 million from the Offering.

(3) On or after closing of the offering of the Notes, the Issuer will on-lend the proceeds from the offering of the Notes to Zhaikmunai LLP (the "**Proceeds Loan**"), which will be used for expenses associated with the Offering of approximately U.S.$10 million and general corporate purposes in connection with the Chinarevskoye production sharing agreement, including refinancing the remaining U.S.$92,505,000 of the 2015 Bonds.

(4) Zhaikmunai LLP is the sole operating subsidiary of Nostrum Oil & Gas LP and owns most of the assets of the Group.

(5) Nostrum Oil & Gas Group Limited is the General Partner of Nostrum Oil & Gas LP.

(6) On 29 November 2013, the limited partners of Zhaikmunai LP duly approved a change in Zhaikmunai LP's name to "Nostrum Oil & Gas LP".

(7) Nostrum Oil Coöperatief U.A. is a direct, 99.9% owned, subsidiary of Nostrum Oil & Gas LP and, is directly owned 0.1% by Nostrum Oil & Gas Group Limited.

(8) Each Guarantor, other than Nostrum Oil & Gas LP, the Group's holding company, is a wholly-owned subsidiary of the Group.

(9) Nostrum Oil & Gas Group Limited, Nostrum Oil & Gas LP, Jubilata Investments Limited and Claydon Industrial Limited have their principal place of business in The Netherlands.

**The Offering**

The summary below describes the principal terms of this Offering. The "*Description of Notes*" section of this Offering Memorandum contains a more detailed description of the Notes, including the definitions of certain terms used in this summary.

| | |
|---|---|
| Issuer | Nostrum Oil & Gas Finance B.V. (the "**Issuer**"), a newly-incorporated private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid* or *B.V.*) under and subject to the laws of the Netherlands and a wholly owned subsidiary of Zhaikmunai Netherlands B.V. On or subsequent to the issue date Zhaikmunai LLP may elect to undertake, upon satisfaction of certain conditions, to be substituted for the Issuer as issuer of the Notes, whereupon it will assume all the obligations of the Issuer under the Notes. See "*Summary—The Substitution*".<br><br>The Issuer is a newly formed company that has no revenue-generating operations of its own. The Issuer conducts no business or operations and has no significant assets, other than the loan of the proceeds of the Notes to Zhaikmunai LLP (the "**Proceeds Loan**"). The Issuer's ability to service its indebtedness, including the Notes, is entirely dependent upon the receipt of funds under the terms of the Proceeds Loan or otherwise.<br><br>The Issuer's registered office is Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands (Tel: +31 20 737 2288) |
| Guarantors | Nostrum Oil & Gas LP, Zhaikmunai Netherlands B.V., Nostrum Oil Coöperatief U.A., Probel Capital Management N.V., Probel Capital Management UK Limited, Claydon Industrial Limited, Jubilata Investments Limited, Condensate-Holding LLP, Zhaikmunai Finance B.V., Zhaikmunai International B.V. and Zhaikmunai LLP (the "**Guarantors**") |
| Notes Offered | U.S.$400 million aggregate principal amount of 6.375% senior notes due 2019 (the "**Notes**"). |
| Issue Date | 14 February 2014. |
| Maturity Date | 14 February 2019. |
| Interest Payment Dates | Interest will be payable semi-annually in cash on 14 August and 14 February of each year, beginning on 14 August 2014. |
| Ranking of the Notes | The Notes will be the senior unsecured obligations of the Issuer and:<br>• will rank senior in right of payment to all existing and future subordinated indebtedness of the Issuer;<br>• will rank equal in right of payment with all existing and future senior indebtedness of the Issuer, without giving effect to collateral arrangements; and<br>• will rank effectively junior to all existing and future indebtedness of the Issuer secured by property or other assets to the extent of the value of such property or assets. |
| Guarantees | The Notes will be jointly and severally, fully and unconditionally guaranteed on a senior basis (the "**Guarantees**") by Nostrum Oil & Gas LP and all of its subsidiaries other than, prior to the Substitution, the Issuer. The obligations of the Guarantors will be contractually limited under the applicable Guarantees to reflect limitations under applicable law, including, but not limited to, with respect to commercial benefit, fraudulent conveyance and other legal restrictions applicable to the Guarantors. |

Each Guarantor other than Zhaikmunai LLP is a special purpose financing vehicle or a holding company which currently does not conduct operations, and the only significant assets of such Guarantors are the shares or participation interests of their subsidiaries. Zhaikmunai LLP is the only operating subsidiary in the restricted group and owns most of the assets of the Group. Each Guarantor, other than Nostrum Oil & Gas LP, the Group's holding company, is a wholly-owned subsidiary of the Group.

See "*Description of Notes—Notes Guarantees*" and "*Risk Factors—Risks Related to the Notes and Guarantees—Fraudulent transfer, commercial benefit or insolvency related claw-back laws may adversely affect the validity and enforceability of the Guarantees*".

Ranking of the Guarantees

Each Guarantee of the Notes will be a senior unsecured obligation of the respective Guarantor and:

- will rank senior in right of payment to all existing and future subordinated indebtedness of that Guarantor;
- will rank equal in right of payment to all existing and future senior indebtedness of that Guarantor, without giving effect to collateral arrangements; and
- will rank effectively junior to all existing and future indebtedness of such Guarantor secured by property or assets to the extent of the value of such properly or assets.

As of 30 September 2013, on a *pro forma* basis after giving effect to this Offering, the Issuer and the Guarantors would have had U.S.$933.7 million of outstanding indebtedness.

Use of Proceeds

The Issuer expects to receive proceeds of U.S.$400 million from the Offering. The Issuer intends to lend the proceeds from this Offering to Zhaikmunai LLP, which will be used for expenses associated with the Offering of approximately U.S.$10 million and general corporate purposes in connection with the Chinarevskoye production sharing agreement, including refinancing the remaining U.S.$92,505,000 of the 2015 Bonds.

Optional Redemption

The Issuer may redeem the Notes:

- in whole or in part at any time on or after 14 February 2017 at the redemption prices described in this Offering Memorandum, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption (see "*Description of Notes—Optional Redemption*");
- at any time and from time to time prior to 14 February 2017 in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more equity offerings, at a redemption price equal to 106.375% of the principal amount redeemed, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption, provided that at least 65% of the original principal amount of the Notes issued on the issue date remains outstanding immediately after each such redemption (see "*Description of Notes—Optional Redemption*");

- in whole, but not in part, at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any, to the date of redemption, in the event of specified developments affecting taxation; and
- in whole or in part at any time prior to 14 February 2017 at a redemption price equal to 100% of the principal amount thereof plus the applicable "make-whole" premium described in this Offering Memorandum, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption (see "*Description of Notes—Optional Redemption*").

Special U.S. Federal Income Tax Considerations

For a discussion of the material tax consequences of an investment in the Notes, see "*Taxation—United States Federal Income Tax Considerations*".

Additional Amounts

Any payments made by the Issuer or any Guarantor with respect to the Notes will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. If the Issuer or a Guarantor is required by law to withhold or deduct for such taxes with respect to a payment to the holders of Notes, it will pay the additional amounts necessary so that the net amount received by the holders of Notes after the withholding is not less than the amount that they would have received in the absence of the withholding, subject to certain exceptions. See "*Description of Notes—Additional Amounts*".

Asset Sale

The Issuer will be required to offer to purchase the Notes with excess proceeds, if any, following certain asset sales at a purchase price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. See "*Description of Notes—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*".

Change of Control

Upon the occurrence of certain change of control events, the Issuer will be required to offer to repurchase the Notes at a purchase price equal to 101% of the aggregate principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of the purchase. See "*Description of Notes—Change of Control*".

Restrictive Covenants

The indenture governing the Notes and the Guarantees (the "**Indenture**") will, among other things, restrict the ability of Nostrum Oil & Gas LP and its restricted subsidiaries (including the Issuer) to:

- borrow additional money;
- pay dividends, redeem or repurchase share capital or make other distributions;
- make principal payments on or redeem or repurchase indebtedness that is junior to the Notes or the Guarantees;
- make certain investments;

- create liens;
- guarantee additional indebtedness;
- create restrictions on restricted subsidiaries' ability to pay dividends or other amounts to Nostrum Oil & Gas LP or its restricted subsidiaries;
- enter into transactions with affiliates; or
- sell assets or consolidate or merge with or into other companies.

Each of the covenants is subject to significant exceptions and qualifications.

Form and Denomination

The Notes will be issued only in registered form and in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess of U.S.$200,000. Notes in denominations of less than U.S.$200,000 will not be available.

Transfer Restrictions

The Notes and the Guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transferability and resale. See "*Transfer Restrictions*". Holders of the Notes will not have the benefit of any registration rights.

No Prior Market

The Notes will be new securities for which there is no market. Although the Initial Purchasers have informed the Issuer that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, the Issuer cannot assure you that an active trading market for the Notes will develop or be maintained.

Substitution

On or subsequent to the issue date, Zhaikmunai LLP may elect to undertake, upon satisfaction of certain conditions, a substitution of the Issuer, whereupon Zhaikmunai LLP will assume all the obligations of the Issuer under the Notes. As of the date of this Offering Memorandum, there is no certainty when the Substitution will occur or whether it will occur at all. The provisions in this Offering Memorandum concerning the Substitution are included solely to describe the changes which would occur should Zhaikmunai LLP, in its discretion, elect to substitute itself for the Issuer as the issuer at some point in the future. See "*Summary—The Substitution*" and "*Description of Notes—Certain Covenants—Substitution*".

In the event that, pursuant to the terms of the Indenture, the Substitution occurs such that Zhaikmunai LLP is substituted for the Issuer as issuer of the Notes, the Proceeds Loan will be assigned or novated to Zhaikmunai LLP.

It is expected that immediately prior to, and in order to facilitate, the Substitution, Zhaikmunai LLP will acquire 100% of the share capital of the Issuer such that the Issuer will become a direct wholly-owned subsidiary of Zhaikmunai LLP.

Listing

Application has been made to list the Notes on the Official List of the Irish Stock Exchange and for the Notes to be admitted to trading on the Global Exchange Market in accordance with the rules of that exchange. It is expected that immediately following the acquisition by Zhaikmunai LLP of 100% of the share capital of the Issuer but prior to the Substitution, application may be made by the Issuer for a dual listing of the Notes on the KASE. There can be no assurance that any such application for listing of the Notes on

the KASE will be successful or that such listing will be granted or maintained.

Settlement

The Issuer expects that delivery of the Notes will be made against payment for the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be four business days (as such term is used for purposes of Rule 15c6-1 of the Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T+4"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the next business day will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

Governing Law of the Indenture, Notes and Guarantees

New York.

Trustee

Citibank, N.A., London Branch

Principal Paying Agent and Transfer Agent

Citibank, N.A., London Branch

New York Paying Agent

Citibank, N.A.

Registrar

Citigroup Global Markets Deutschland AG.

Listing Agent

Arthur Cox Listing Services Limited.

**Risk Factors**

Investing in the Notes involves substantial risks and uncertainties. Please see the "*Risk Factors*" section for a description of certain of the risks you should carefully consider before investing in the Notes.

**Summary of Financial Information and Operating Data**

The tables below provide summary historical financial information in respect of the Group for the nine months ended 30 September 2013 and 2012 and the years ended 31 December 2012, 2011 and 2010. The summary historical financial information has been extracted without material adjustment from the unaudited interim condensed consolidated financial statements of the Group for the nine months ended 30 September 2013, the audited consolidated financial statements of the Group for the years ended 31 December 2012, 2011 and 2010.

Investors should read the whole of this Offering Memorandum and not rely solely on this summarised information.

Nostrum Oil & Gas LP is also presenting unaudited consolidated financial information for Nostrum Oil & Gas LP and its subsidiaries for the twelve months ended 30 September 2013 and 2012. The unaudited consolidated financial information for the twelve months ended 30 September 2013 is calculated by taking the results of operations for the nine months ended 30 September 2013 and adding to it the difference between the results of operations for the full year ended 31 December 2012 and the historical nine months ended 30 September 2012. The unaudited consolidated financial information for the twelve months ended September 30, 2012 is calculated by taking the results of operations for the nine months ended 30 September 2012 and adding to it the difference between the results of operations for the full year ended 31 December 2011 and the historical nine months ended 30 September 2011. The unaudited consolidated financial information for the twelve months ended 30 September 2013 and 2012 has been prepared for illustrative purposes only and is not necessarily representative of the results of operations of Nostrum Oil & Gas LP for any future period or our financial condition at any future date.

**Consolidated Income Statement**

| | Nine months ended 30 September | | Year ended 31 December | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2012 | 2011 | 2010 |
| | *(U.S.$ thousands)* | | | | |
| **Revenue** | | | | | |
| Revenue from export sales | 565,408 | 442,924 | 630,412 | 284,548 | 172,102 |
| Revenue from domestic sales | 91,782 | 80,324 | 106,653 | 16,289 | 6,057 |
| **Total** | **657,190** | **523,248** | **737,065** | **300,837** | **178,159** |
| Costs of sales | (206,544) | (155,114) | (238,224) | (70,805) | (53,860) |
| **Gross profit** | **450,646** | **368,134** | **498,841** | **230,032** | **124,299** |
| General and administrative expenses[1] | (48,644) | (54,221) | (65,209) | (39,462) | (28,066) |
| Selling and transportation expenses | (87,631) | (72,265) | (103,604) | (35,395) | (17,014) |
| Loss on derivative financial instruments | — | — | — | — | (470) |
| Finance costs[1] | (32,739) | (25,185) | (46,458) | (1,660) | (20,495) |
| Foreign exchange (loss)/gain, net | (436) | 641 | 776 | (389) | 46 |
| Interest income | 731 | 458 | 698 | 336 | 239 |
| Other expenses | (17,794) | (3,224) | (6,612) | (7,855) | (1,054) |
| Other income | 2,955 | 3,027 | 3,940 | 3,365 | 3,288 |
| **Profit before income tax** | **267,088** | **217,365** | **282,372** | **148,972** | **60,773** |
| Income tax expense | (105,322) | (80,128) | (120,363) | (67,348) | (37,873) |
| **Profit for the period** | **161,766** | **137,237** | **162,009** | **81,624** | **22,900** |
| **Total comprehensive profit for the period** | **161,766** | **137,237** | **162,009** | **81,624** | **22,900** |

(1) Numbers shown here do not correspond to those in the financial statements for the years ended 31 December 2012, 2011 and 2010, and reflect reclassifications made for consistency with the financial statements for the nine months ended the 30 September 2013 and 2012, whereby withholding tax on the interest on the intercompany loans has been reclassified from finance costs to general and administrative expenses.

**Consolidated Balance Sheet**

| | As at 30 September | As at 31 December | | |
|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2010 |
| | | (U.S.$ thousands) | | |
| **ASSETS** | | | | |
| Exploration and evaluation assets | 17,859 | — | — | — |
| Property, plant and equipment | 1,300,523 | 1,222,665 | 1,120,453 | 955,911 |
| Restricted cash | 4,181 | 3,652 | 3,076 | 2,743 |
| Advances for non-current assets | 9,031 | 25,278 | 3,368 | 6,479 |
| Non-current investments | 30,000 | — | — | — |
| **Non-current assets** | **1,361,594** | **1,251,595** | **1,126,897** | **965,133** |
| Inventories | 21,853 | 24,964 | 14,518 | 5,639 |
| Trade receivables | 123,855 | 54,004 | 12,640 | 1,635 |
| Prepayment and other current assets | 29,558 | 24,369 | 23,279 | 16,759 |
| Income tax prepayment | — | — | 3,453 | 3,200 |
| Short-term investments | 31,500 | 50,000 | — | — |
| Restricted cash | — | — | — | 1,000 |
| Cash and cash equivalents | 159,316 | 197,730 | 125,393 | 144,201 |
| **Current assets** | **366,082** | **351,067** | **179,283** | **172,434** |
| **Total assets** | **1,727,676** | **1,602,662** | **1,306,180** | **1,137,567** |
| **EQUITY AND LIABILITIES** | | | | |
| Partnership capital | 357,337 | 371,147 | 368,203 | 366,942 |
| Additional paid-in capital | 7,046 | 6,095 | 1,677 | — |
| Retained earnings and reserves | 416,449 | 317,862 | 215,351 | 133,727 |
| **Partnership capital and reserves** | **780,832** | **695,104** | **585,231** | **500,669** |
| Long-term borrowings | 619,577 | 615,742 | 438,082 | 434,931 |
| Abandonment and site restoration liabilities | 12,687 | 11,064 | 8,713 | 4,543 |
| Due to government of Kazakhstan | 6,021 | 6,122 | 6,211 | 6,290 |
| Deferred tax liability | 148,228 | 148,932 | 146,674 | 100,823 |
| **Non-current liabilities**[(1)] | **786,513** | **781,860** | **599,680** | **546,587** |
| Current portion of long-term borrowings | 19,462 | 7,152 | 9,450 | 9,450 |
| Trade payables | 57,702 | 58,390 | 81,914 | 49,213 |
| Employee share option plan | 14,290 | 9,788 | 11,734 | 10,104 |
| Advances received | 1,619 | 60 | 3,154 | 11,693 |
| Income tax payable | 21,913 | 11,762 | — | 372 |
| Current portion of due to government of Kazakhstan | 1,031 | 1,031 | 1,031 | 1,031 |
| Other current liabilities | 44,314 | 37,515 | 13,986 | 8,448 |
| **Current liabilities**[(1)] | **160,331** | **125,698** | **121,269** | **90,311** |
| **Total equity and liabilities** | **1,727,676** | **1,602,662** | **1,306,180** | **1,137,567** |

(1) Numbers shown here do not correspond to those in the financial statements for the years ended 31 December 2012, 2011 and 2010, and for the nine months ended the 30 September 2013 and 2012 due to the reclassification of the employee share option plan liability from non-current liabilities to current liabilities.

**Consolidated Cash Flow Data**

| | Nine month period ended 30 September | | Year ended 31 December | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2012 | 2011 | 2010 |
| | | | (U.S.$ thousands) | | |
| Net cash flow from operating activities | 230,446 | 237,689 | 291,825 | 132,223 | 98,955 |
| Net cash used in investing activities | (167,375)[(1)] | (153,452) | (269,674)[(2)] | (103,681) | (132,189) |
| Net cash (used in)/ provided by financing activities | (101,485) | (23,641) | 50,390 | (47,350) | 39,710 |

(1) Net cash used in investing activities includes U.S.$30 million of bank deposits that are not included in cash and cash equivalents at the end of the nine months ended 30 September 2013 due to the long-term nature of the deposits.
(2) Net cash used in investing activities includes U.S.$50 million of bank deposits that are not included in cash and cash equivalents at the end of 2012 due to the long-term nature of the deposits.

**Financial Data**

| | Twelve months period ended 30 September | | Year ended 30 December | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2012 | 2011 | 2010 |
| Total debt (U.S.$ thousands) | 639,039 | 459,058 | 622,894 | 447,532 | 444,381 |
| Net debt[(1)] (U.S.$ thousands) | 414,042 | 269,542 | 371,512 | 319,063 | 296,437 |
| EBITDA[(2)] (U.S.$ thousands) | 528,132 | 404,979 | 456,546 | 187,877 | 97,993 |
| **Total debt/EBITDA** | **1.2x** | **1.1x** | **1.4x** | **2.4x** | **4.5x** |
| **Net debt/EBITDA** | **0.8x** | **0.7x** | **0.8x** | **1.7x** | **3.0x** |
| Adjusted interest expenses[(3)] (U.S.$ thousands) | 74,873 | 47,478 | 70,749 | 51,590 | 70,826 |
| **EBITDA/Adjusted interest expenses** | **7.1x** | **8.5x** | **6.5x** | **3.6x** | **1.4x**[(5)] |
| Revenue (U.S.$ thousands) | 871,007 | 634,485 | 737,065 | 300,837 | 178,159 |
| **Revenue/Net debt** | **2.1x** | **2.4x** | **2.0x** | **0.9x** | **0.6x** |
| **Total debt/Equity**[(4)] | **0.8x** | **0.7x** | **0.9x** | **0.8x** | **0.9x** |

(1) Net debt comprises of total debt less cash and cash equivalents, restricted cash and short-term and non-current investments.
(2) See "—*Other Financial and Operating Data*".
(3) Adjusted interest expenses represent interest expense on borrowings on the income statement as well as capitalized interest expense on borrowings.
(4) Equity means partnership equity and capital reserves.
(5) Adjusted interest expense impacted by refinancing through the issuance of the Existing Bonds.

**Other Financial and Operating Data**

| | Nine months ended 30 September | | Year ended 31 December | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2012 | 2011 | 2010 |
| EBIT[(1)(2)] (U.S.$ thousands) | 319,804 | 265,562 | 353,914 | 168,034 | 82,298 |
| EBITDA[(1)(3)] (U.S.$ thousands) | 411,994 | 340,408 | 456,546 | 187,877 | 97,993 |
| Average production (boepd) | 45,414 | 36,859 | 36,940 | 13,158 | 7,752 |
| Average realised price for crude oil sales (U.S.$/per barrel) | 106.73 | 102.98 | 107.4 | 106.87 | 80.15 |

(1) As presented in this Offering Memorandum, "EBITDA" means profit before income tax, foreign exchange loss/(gain), losses and unrealised gains on derivative financial instruments, employee share option plan expense, road maintenance expense, depreciation, depletion and amortisation, interest income, finance costs, other expenses/(income), capitalisation of net proceeds from GTF test production and "EBIT" means profit before income tax, foreign exchange loss/(gain), losses and unrealised gains on derivative financial instruments, employee share option plan, road maintenance expense, interest income, other expenses/(income). EBITDA and EBIT are supplemental measures of the Group's performance and liquidity that are not required by or presented in accordance with IFRS. Furthermore, EBITDA and EBIT should not be considered as alternatives to net income, profit before income tax or as cash flow

from operating activities as a measure of the Group's profitability or liquidity or as a measure of cash available to the Group to invest in the growth of its business.

Although Nostrum Oil & Gas LP does not currently employ EBITDA as a measure for internal valuations, Nostrum Oil & Gas LP presents EBITDA in this Offering Memorandum because Nostrum Oil & Gas LP believes it is frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, most of which present EBITDA when reporting their results. Nostrum Oil & Gas LP presents EBIT because Nostrum Oil & Gas LP believes that it provides a useful measure for evaluating its ability to generate cash and its operating performance due to the costs it incurs for depreciation. Nevertheless, EBITDA and EBIT have limitations as analytical tools and they should not be considered in
isolation from, or as a substitute for, analysis of Nostrum Oil & Gas LP's results of operations. As a measure of performance, EBITDA and EBIT present some limitations for the following reasons:

- they do not reflect the Group's cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, the Group's working capital needs;
- they do not reflect gains or losses in derivative financial instruments or foreign exchange contracts;
- they do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Group's debt;
- they do not capture differences in income taxes, which may be significant even for companies operating in the same sector or country;
- in the case of EBITDA, although depreciation and amortisation are non-cash charges, the assets being depreciated will often have to be replaced in the future and EBITDA does not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate these measures differently from the way we do, limiting its usefulness as a comparative measure.

(2) The following table provides a reconciliation of EBIT to profit before income tax for the periods indicated:

| | Nine months ended 30 September | | Year ended 31 December | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2012 | 2011 | 2010 |
| | | | *(U.S.$ thousands)* | | |
| Profit before income tax | 267,088 | 217,365 | 282,372 | 148,972 | 60,773 |
| **Add back**: | | | | | |
| Capitalised net proceeds from GTF test production | — | — | — | 9,314 | — |
| Road maintenance expenses | — | 21,416 | 21,416 | — | — |
| Finance costs | 32,739 | 25,185 | 46,458 | 1,660 | 20,495 |
| Foreign exchange loss/(gain) | 436 | (641) | (776) | 389 | (46) |
| Loss on derivative financial instrument | — | — | — | — | 470 |
| Employee share option plan | 5,433 | 2,498 | 2,470 | 3,545 | 3,079 |
| Interest income | (731) | (458) | (698) | (336) | (239) |
| Other expenses/(income) | 14,839 | 197 | 2,672 | 4,490 | (2,234) |
| **EBIT** | **319,804** | **265,562** | **353,914** | **168,034** | **82,298** |

(3) The following table provides a reconciliation of EBITDA to profit before income tax for the periods indicated:

| | Nine months ended 30 September | | Year ended 31 December | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2012 | 2011 | 2010 |
| | | | *(U.S.$ thousands)* | | |
| Profit before income tax | 267,088 | 217,365 | 282,372 | 148,972 | 60,773 |
| **Add back:** | | | | | |
| Capitalised net proceeds from GTF test production | — | — | — | 9,314 | — |
| Road maintenance expenses | — | 21,416 | 21,416 | — | — |
| Finance costs | 32,739 | 25,185 | 46,458 | 1,660 | 20,495 |
| Foreign exchange loss/(gain) | 436 | (641) | (776) | 389 | (46) |
| Loss on derivative financial instrument | — | — | — | — | 470 |

| | Nine months ended 30 September | | Year ended 31 December | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2012 | 2011 | 2010 |
| | | | (U.S.$ thousands) | | |
| Employee share option plan | 5,433 | 2,498 | 2,470 | 3,545 | 3,079 |
| Depreciation | 92,190 | 74,846 | 102,632 | 19,843 | 15,695 |
| Interest income | (731) | (458) | (698) | (336) | (239) |
| Other expenses/(income) | 14,839 | 197 | 2,672 | 4,490 | (2,234) |
| **EBITDA** | **411,994** | **340,408** | **456,546** | **187,877** | **97,993** |

**Other Financial and Operating Data (for Zhaikmunai LLP)**

| | Nine months ended 30 September | | Year ended 31 December | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2012 | 2011 | 2010 |
| | | | (U.S.$ thousands) | | |
| Profit before income tax | 275,031 | 208,782 | 267,938 | 133,123 | 53,109 |
| Capitalized net proceeds from GTF test production | — | — | — | 9,314 | — |
| Finance costs | 49,450 | 50,534 | 81,566 | 38,139 | 38,256 |
| Foreign exchange loss/(gain) | 255 | (490) | (899) | 272 | 672 |
| Loss on derivative financial instrument | — | — | — | — | 470 |
| Depreciation and amortization | 92,091 | 74,835 | 102,622 | 19,830 | 15,695 |
| Interest income | (640) | (164) | (337) | (256) | (237) |
| Other expenses/(income) | 14,710 | 184 | 2,637 | 4,483 | (466) |
| **EBITDA[1]** | **430,897** | **333,681** | **453,527** | **204,905** | **107,499** |
| **LLP EBITDA ratio (as % the Group)[2]** | **104.6** | **98.0** | **99.3** | **109.1** | **109.7** |
| **Total assets** | **1,699,171** | **1,387,382** | **1,569,924** | **1,231,883** | **1,085,056** |
| **Total assets (as % of the Group)** | **98.4** | **94.3** | **98.0** | **94.3** | **95.4** |
| **Net assets[3]** | **533,062** | **354,503** | **373,498** | **225,849** | **165,094** |
| **Net assets[3] (as % of the Group)** | **68.3** | **53.0** | **53.7** | **38.6** | **33.0** |

(1) As presented in this Offering Memorandum, "EBITDA" means profit before income tax, foreign exchange loss/(gain), losses and unrealised gains on derivative financial instruments, employee share option plan expense, road maintenance expense, depreciation, depletion and amortisation, interest income, finance costs, other expenses/(income), capitalisation of net proceeds from GTF test production and "EBIT" means profit before income tax, foreign exchange loss/(gain), losses and unrealised gains on derivative financial instruments, employee share option plan, road maintenance expense, interest income, other expenses/(income). EBITDA and EBIT are supplemental measures of the Group's performance and liquidity that are not required by or presented in accordance with IFRS. Furthermore, EBITDA and EBIT should not be considered as alternatives to net income, profit before income tax or as cash flow from operating activities as a measure of the Group's profitability or liquidity or as a measure of cash available to the Group to invest in the growth of its business.

Although the Group does not currently employ EBITDA as a measure for internal valuations, it presents EBITDA in this Offering Memorandum because the Group believes it is frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, most of which present EBITDA when reporting their results. The Group presents EBIT because it believes that it provides a useful measure for evaluating its ability to generate cash and its operating performance due to the costs it incurs for depreciation. Nevertheless, EBITDA and EBIT have limitations as analytical tools and they should not be considered in isolation from, or as a substitute for, analysis of the Group's results of operations. As a measure of performance, EBITDA and EBIT present some limitations for the following reasons:

- they do not reflect the Group's cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, the Group's working capital needs;

- they do not reflect gains or losses in derivative financial instruments or foreign exchange contracts;
- they do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Group's debt;
- they do not capture differences in income taxes, which may be significant even for companies operating in the same sector or country;
- in the case of EBITDA, although depreciation and amortisation are non-cash charges, the assets being depreciated will often have to be replaced in the future and EBITDA does not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate these measures differently from the way we do, limiting its usefulness as a comparative measure.

(2) This represents the EBITDA of Zhaikmunai LLP as compared to the EBITDA of the Group. The EBITDA of Zhaikmunai LLP is higher as compared to the Group, because it does not include certain expenses specific to the parent company of the Group, Nostrum Oil & Gas LP.

(3) As presented in this Offering Memorandum, net assets are calculated as total assets minus total liabilities.

**Oil and Gas Reserves**

The following table sets forth Nostrum's gross proved, probable and possible hydrocarbon reserves at the Chinarevskoye Field based on data included in the 2013 Ryder Scott Report:

| | As at 31 August 2013 |
|---|---|
| **Gross Proved Reserves** | |
| Crude oil and condensate (million bbl) | 79.5 |
| LPG (million boe) | 29.5 |
| Gas (million boe)[1] | 90.2 |
| **Total (million boe)[1]** | **199.2** |
| **Gross Probable Reserves** | |
| Crude oil and condensate (million bbl) | 113.7 |
| LPG (million boe) | 42.9 |
| Gas (million boe)[1] | 127.5 |
| **Total (million boe)[1]** | **284.1** |
| **Gross Possible Reserves** | |
| Crude oil and condensate (million bbl) | 22.3 |
| LPG (million boe) | 12.3 |
| Gas (million boe) | 41.6 |
| **Total (million boe)** | **76.2** |

(1) Management has converted the dry gas reserves data from cubic feet to boepd of dry gas. See *"Presentation of Financial, Reserves and Other Information—Certain Reserves Information—Hydrocarbon Data—Presentation in this Offering Memorandum"*.

The following table sets forth Nostrum's net proved, probable and possible hydrocarbon reserves at the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields based on data included in the 2013 Ryder Scott Report:

| | As at 31 August 2013 |
|---|---|
| **Net Proved Reserves** | |
| Crude oil and condensate (million bbl) | — |
| LPG (million boe) | — |
| Gas (million boe)[1] | — |
| **Total (million boe)[1]** | **—** |
| **Net Probable Reserves** | |
| Crude oil and condensate (million bbl) | 3.8 |
| LPG (million boe) | 0.6 |

| | As at 31 August 2013 |
|---|---|
| Gas (million boe)[1] | 93.7 |
| **Total (million boe)[1]** | **98.2** |
| **Net Possible Reserves** | |
| Crude oil and condensate (million bbl) | 12.7 |
| LPG (million boe) | 0.4 |
| Gas (million boe) | 20.5 |
| **Total (million boe)** | **33.6** |

(1) Management has converted the dry gas reserves data from cubic feet to boepd of dry gas. See "*Presentation of Financial, Reserves and Other Information—Certain Reserves Information—Presentation in this Offering Memorandum*".

In accordance with SPE-PRMS reserves classifications, Ryder Scott assigned part of the volumes of crude oil that can be recovered from accumulation through water-flooding in the Tournaisian reservoir to the categories of probable reserves. See "*Risk Factors—Risk Factors Relating to the Oil and Gas Industry—The level of the Group's reserves, their quality and production volumes may be lower than estimated or expected*". The added potential resulting from enhanced oil recovery has therefore only partly been used to estimate the amount of proved reserves.

For a more detailed analysis of our reserves, see the 2013 Ryder Scott Report contained in this Offering Memorandum.

**The Substitution**

The Issuer, a newly-incorporated private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid* or *B.V.*), is a wholly owned subsidiary of Zhaikmunai Netherlands B.V. At any time following the closing of this Offering of Notes, Zhaikmunai LLP may elect to undertake, upon satisfaction of certain conditions, to be substituted for the Issuer as issuer of the Notes, whereupon Zhaikmunai LLP will assume all the obligations of the Issuer under the Notes. See "*Description of Notes—Certain Covenants—Substitution*".

Upon completion of the Substitution, all the obligations of the Issuer under the Notes will be assumed by Zhaikmunai LLP and the Proceeds Loan will be assigned or novated to Zhaikmunai LLP. Immediately prior to, and in order to facilitate, the Substitution, Zhaikmunai LLP will likely acquire 100% of the share capital of the Issuer such that the Issuer will become a direct wholly-owned subsidiary of Zhaikmunai LLP. See "*Description of Notes—Certain Covenants—Substitution*" for full details regarding the conditions to the Substitution. It is expected that immediately following the acquisition by Zhaikmunai LLP of 100% of the share capital of the Issuer but prior to the Substitution, application may be made by the Issuer for a dual listing of the Notes on the KASE. There can be no assurance that any such application for listing of the Notes on the KASE will be successful or that such listing will be granted or maintained.

As of the date of this Offering Memorandum, there is no certainty when the Substitution will occur or whether it will occur at all. The provisions in this Offering Memorandum concerning the Substitution are included solely to describe the changes which would occur should Zhaikmunai LLP, in its discretion, elect to substitute itself for the Issuer as the issuer of the Notes at some point in the future.

**Current Trading and Recent Developments**

***Operational and Financial Update***

For the year ended 31 December 2013, the Group had total revenue of U.S.$895 million as compared to U.S.$737 million for the year ended 31 December 2012. For the year ended 31 December 2013, the Group estimates EBITDA to be above U.S.$500 million as compared to U.S.$457 million for the year ended 31 December 2012. As at 31 December 2013, the Group estimates cash (cash and cash equivalents, restricted cash, short-term and non-current deposits) to be above U.S.$230 million as compared to U.S.$251 million as at 31 December 2012. For the year ended 31 December 2013, the Group estimates the net debt to be below U.S.$400 million and net debt to EBITDA ratio of 0.8x.

The table below sets forth Nostrum's production for the years ended 31 December 2013 and 2012.

| | Year ended 31 December | |
|---|---|---|
| | 2013 | 2012 |
| Total average production (boepd) | 46,178 | 36,940 |
| Crude oil & stabilised condensate average production (boepd) | 19,847 | 15,764 |
| LPG average production (boepd) | 4,259 | 2,940 |
| Dry gas average production (boepd) | 22,535 | 18,237 |

In relation to the construction of the third gas treatment unit, certain key milestones have been achieved by the Group. Nostrum has appointed Ferrostaal Industrieanlagen GmbH ("**FIA**") and Rheinmetall International Engineering GmbH (a 50% subsidiary of Ferrostaal GmbH) as the project manager in charge of managing the engineering, procurement, construction and commissioning of the entire third gas treatment unit project on behalf of Nostrum's subsidiary Zhaikmunai LLP. The FEED study, prepared by Lexington Group International (USA), has been the basis from which FIA's engineering team has developed the project starting in late 2012. As of the date of this Offering Memorandum, Nostrum is in the final stages of procurement and in the initial stages of detailed engineering works. Nostrum has also agreed supply terms with its three suppliers for the supply of equipment totalling approximately U.S.$75 million and anticipates that in the coming weeks procurement terms will be agreed with suppliers for an additional U.S.$60 million of equipment. Nostrum expects that all procurement contracts for major equipment will be signed during the first half of 2014. Based on the current timetable for the construction, Nostrum expects that the third gas treatment unit will be completed and commissioned by the middle of 2016. Management currently estimates that the total cost of this project will not exceed U.S.$500 million.

***Probel Acquisition***

On 30 December 2013, ELATA Burgerlijke Maatschap, Petra Noé, Frank Monstrey and Co-op entered into a purchase agreement for the acquisition by the Group from related parties of the entire issued share capital of Probel Capital Management N.V. for a consideration of €21.07 million. See "*Related Parties and Related Party Transactions—Service Agreements*".

***Tenth Supplementary Agreement***

On 28 October 2013, the Competent Authority signed the tenth supplementary agreement to the PSA in relation to the Chinarevskoye field. Among other items, this agreement contains the extension of Nostrum's exploration period, other than for the Tournaisian horizons, to 26 May 2014. The Directors believe this will provide sufficient time for the Group to carry out its planned exploration programme before submitting the results to the State.

***Other Developments***

On 29 November 2013, the limited partners of Zhaikmunai LP duly approved a change in Zhaikmunai LP's name to "Nostrum Oil & Gas LP". See "*Summary—Corporate Structure*". In addition to the name change, as previously announced, the Group continues to explore a possible premium listing on the London Stock Exchange and other alternatives to the current GDR listing. In conjunction with a possible alternative listing, the Group requested a waiver of the State pre-emptive right and consent from the Ministry of Oil and Gas in Kazakhstan for certain corporate restructurings contemplated for such a listing. On 30 December 2013, the Group received such waiver and consent from the Ministry of Oil and Gas in Kazakhstan. The Group currently intends to implement this corporate reorganisation in the first half of 2014, with the approval of the Group's limited partners. In addition, it is expected that the Group will enter into an agreement to acquire Amersham for EUR1.69 million. See "*Related Parties and Related Party Transactions—Service Agreements*".

Mr. Heinz Wendel was appointed General Director of Zhaikmunai LLP on 13 August 2013. Mr. Wendel is an experienced oil and gas professional with extensive management and technical experience. In early 2012, he joined Zhaikmunai LLP as Chief Operating Officer. Mr. Wendel is assuming his new role following a planned handover from former General Director, Vyacheslav Druzhinin, who held this position since March 1997. Mr. Druzhinin has been appointed as a Director of Governmental Affairs for Zhaikmunai LLP. Mr. Aman Sanatov has succeeded Mr. Wendel as Chief Operating Officer of Zhaikmunai LLP. In addition, on 1 November 2013, Mr. Gernot Voigtländer was appointed Deputy General Director (for reservoir engineering) of Zhaikmunai LLP.

## RISK FACTORS

*You should consider carefully the following information about these risks, together with the other information contained in this Offering Memorandum. If any of the following risks actually occur, the Group's business, prospects, financial condition, cash flows and results of operations could be materially and adversely affected. Additional risks or uncertainties not presently known to the Group, or that the Group currently believe are immaterial, may also impair the Group's business operations. The Group cannot assure you that any of the events discussed in the risk factors below will not occur and if such events do occur, you may lose all or part of your original investment in the Notes.*

### Risk Factors Relating to the Group's Business

***The Group's principal activities are conducted within the Chinarevskoye Field and currently its sole source of revenue comes from this field.***

Nostrum conducts its principal operations in the Chinarevskoye oil and gas condensate field (the "**Chinarevskoye Field**") in North-Western Kazakhstan pursuant to a subsoil use licence (the "**Licence**") and an associated production sharing agreement ("**PSA**") which expires in 2031 (with respect to the North-Eastern Tournaisian reservoir) and 2033 (for the rest of the Chinarevskoye Field). The PSA grants sole exclusive rights to the Licence area (see "*Business—Subsoil Licences and Permits—The Licence and the PSA*"). Nostrum's activities in the Licence area (which consists of multiple reservoirs) are currently the Group's sole source of revenue. Whilst the Group has completed the acquisition of subsurface use contracts in three oil and gas fields near to the Chinarevskoye Field, the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields, and commenced the acquisition of data on these fields in 2013 (with appraisal expected to conclude in 2015), the development of those fields has not yet commenced (and the Group will not know when development will start until the appraisal process has been completed). As a result, the Group's success depends heavily on the success of its activities in the Licence area. Any event (such as operational failures or adverse sovereign action) that adversely interferes with the Group's ability to conduct its operations in the Chinarevskoye Field or that adversely impacts production volumes or quality, or levels of reserves or resources, could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations (see "*—The Group's future hydrocarbon production profile is based principally on its gas treatment facility and to a lesser extent its oil treatment unit operating at full or near full capacity. If these facilities were not operating at full or near full capacity, the Group may not be able to meet its strategic production objectives*", "*—The Group relies on transportation systems owned and operated by third parties which may become unavailable. The Group may be unable to access these or alternative transportation systems*", "*—Risk Factors Relating to Kazakhstan—The Group is exposed to the risk of adverse sovereign action by the Kazakh Government*" and "*—Risk Factors Relating to the Oil and Gas Industry—The Group faces drilling, exploration, production and transportation risks and hazards that may affect the Group's ability to produce oil and gas products at expected levels, quality and costs*").

***The Group's future hydrocarbon production profile is based principally on its gas treatment facility and to a lesser extent its oil treatment unit operating at full or near-full capacity. If these facilities were not operating at full or near-full capacity, the Group may not be able to meet its strategic production objectives.***

The Group's gas treatment facility is essential for the treatment of gas condensate to produce dry gas, condensate and LPG for sale by the Group. Until the end of 2012, the gas treatment facility operated at less than its design capacity. In October 2012, the Group successfully conducted a controlled shutdown of the gas treatment facility in order to bring the facility's production close to design capacity, which was achieved by the end of 2012 and has been maintained at approximately this level since. The Group conducted a second annual shutdown of the facility over nine days in September 2013. To date the gas treatment facility has not ceased to be operational due to operational risks or hazards. However, there can be no assurance that the Group will be able to maintain the gas treatment facility at or near design capacity or if it does, that the Group will be able to maintain it without additional expense. In addition, the Group's future hydrocarbon production profile is based on the gas treatment facility, including phase two of the gas treatment facility, which has not yet been constructed, operating at full or near-full capacity. If the gas treatment facility fails to operate at or near design capacity, the Group would have to reduce or suspend its production activities which would have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

Additionally, if the gas treatment facility ceases to be operational due to operational risks or hazards, the Group would have to rely on its existing gas flaring permits to flare the associated gas that cannot be treated or, if necessary, apply for additional gas flaring permits from the Ministry of Oil and Gas of the Republic of Kazakhstan (the "**Competent Authority**") in order to flare the additional associated gas. There can be no guarantee that these permits would be issued. If the Group's existing gas flaring permits are insufficient and no such additional permits were issued, the Group might have to reduce or suspend its production activities which depend upon an operational gas treatment facility.

Any significant reduction in or suspension of the Group's production of hydrocarbons for a prolonged period of time would have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations. See "*—Risk Factors Relating to the Oil and Gas Industry—The Group faces drilling, exploration, production and transportation risks and hazards that may affect the Group's ability to produce oil and gas products at expected levels, quality and costs*".

The Group also relies on its oil treatment unit to process up to 400,000 tonnes per year of crude oil and if this oil treatment unit ceased to operate at or near design capacity or if it ceases to be operational due to operational risks or hazards, this would also reduce the Group's production of hydrocarbons and could have an adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

***The Group's planned development projects are subject to risks related to cancellation, delay, non-completion and cost overruns which could result in a reduction or suspension of the Group's production of hydrocarbons.***

An important element of the Group's growth strategy is to construct new operating facilities. The Group is in the process of designing and planning the second phase of the gas treatment facility, which entails building a third gas treatment unit in the vicinity of the first two units of the gas treatment facility. The third gas treatment unit, which Nostrum currently estimates will not cost more than U.S.$500 million (U.S.$23 million of which had already been incurred as at 30 September 2013) and which it currently expects to fund from cash from operations, is important for implementing the Group's strategy to increase the production of liquid hydrocarbons. Detailed engineering and procurement plans are on-going and the Group is in the process of contracting with potential suppliers for the equipment, construction and assembly of the third gas treatment unit. The final design of the third gas treatment unit has been finalised and all key permits were in place by the end of 2013. Construction is scheduled to begin in early 2014 and the third gas treatment unit is expected to become operational in mid-2016. Once the third gas treatment unit becomes operational the Group expects a significant increase in its operating capacity and production volumes.

The additional operating capacity and higher production volumes (including, specifically, production of liquid hydrocarbons) have been incorporated in the Group's long-term strategy. Any material failure or disruption relating to the gas treatment facility, including if the costs of bringing the second phase of the gas treatment facility online are significantly higher than expected (including as a result of any construction delay), could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

This project is subject to risks of cancellation, delay and non-completion. The Group may experience technical difficulties during construction, testing and commencement of operations that may not be resolved in a timely or cost-effective manner, or at all. For example, in October 2012 the Group undertook a controlled shutdown of the first phase of the gas treatment facility, consisting of two units for 12 days in order to bring it to at or near full design capacity, resulting in unexpected costs. The construction of the third gas treatment unit also will depend on the services of multiple contractors and the products of several specialist suppliers. A reduction or cessation of the performance of the contractors retained to build the third gas treatment unit, or a shortage in the necessary supplies to complete it, could also result in delays and could inflate the costs associated with this project. The Group may also incur cost overruns in connection with completing the third gas treatment unit, which it may not have sufficient financial resources to fund. The construction of the third gas treatment unit may not be completed as scheduled, or at all. Any material delays relating to the construction of the second phase of the gas treatment facility, including if the costs of bringing the second phase of the gas treatment facility online are significantly higher than expected, could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

Additionally, the Group has started seismic acquisition on the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields near the Chinarevskoye Field and expects to incur costs of approximately U.S.$85 million by the end of 2015 in the appraisal of these fields. See "*—If the Group fails to develop the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields successfully, or the costs of such development are greater than expected, the Group's financial condition and future performance could be adversely affected*".

The failure to complete any of the Group's planned development projects (in particular the third gas treatment unit) and/or appraisal works that lead to a reduction or suspension of the Group's production of hydrocarbons, or any delays or cost overruns in the execution of these projects, could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

***The proportion of oil and gas production that must be shared with the State, as well as the Group's royalty payments to the Kazakh Government, may increase.***

Under the terms of the PSA and the Licence, the Group is required to deliver a proportion of its monthly production to the State (or make a payment in lieu of such delivery). The proportion to be delivered to the State increases as annual production levels increase (see "*Business—Subsoil Licences and Permits—The Licence and the PSA—State Share*"). In addition, as the level of oil and gas produced by the Group increases, the royalty rate payable to the State under the PSA will also increase. Increases in production will therefore result in a proportionately higher monthly royalty payment being made to the State. Significant increases in the proportion of oil and gas production that the Group must share with the State and in royalty payments to the State could therefore have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations. Furthermore, the fiscal terms which govern the proportion of oil and gas production that must be shared with the State under the terms of the PSA may be subject to change (see "*—Risk Factors Relating to Kazakhstan—The Group is exposed to the risk of adverse sovereign action by the Kazakh Government*").

***The Group sells its dry gas to two customers.***

The Group currently sells its dry gas to two domestic customers under three contracts. While the Directors expect these contracts to be renewed on an annual basis, there can be no assurance that the Group will be able to execute or renew the contracts on similar terms or at all. Under one of the contracts, the Group has the right to set the quantity of the gas supplied, but is not required to sell a minimum volume of gas. Under the other two contracts, any change to the annual quantities sold has to be agreed with the buyer. Prices for gas that have been agreed in principle with these customers are currently broadly in line with domestic gas prices in the Russian Federation, but may not reflect the prevailing market prices in any given month. In the past, the Group has been able to sell as much gas as it can produce pursuant to its previous gas sale contracts, however, payment default by, reduced demand from or termination of the contracts with one or both of the customers or failure in the future to renew such contracts upon expiration may have an adverse effect on the Group's business, results of operations and financial condition and its ability to realise its expected profit margin as it may not be able to immediately enter into contractual arrangements with other purchasers on similar terms or at all.

***The Group may be forced to sell its gas at prices determined by the Kazakh Government, which could be significantly lower than prices which the Group could otherwise achieve.***

Since 2012, Zhaikmunai LLP has been included in a draft list prepared by the Competent Authority of subsoil users that the Competent Authority believes are subject to the Kazakhstan Law on Gas and Gas Supply No.532 IV dated 9 January 2012 (the "**Gas Law**") effective from 29 January 2012 with regards to the priority right of the Kazakh Government for the purchase of raw gas (this right became effective on 1 April 2012) at the price specified in accordance with the Kazakh Government Decree #948 dated 19 July 2012 "On approval of Rules for determination of price for raw and commercial gas purchased by the national operator under the priority right of the Kazakh Government" ("**Decree 948**"). Subsoil users to which the Gas Law and Decree 948 apply are required to sell their gas domestically at prices determined by the Kazakh Government calculated in accordance with a formula provided in Decree 948 (including by reference to production and transportation costs, production volumes, raw gas prices in Kazakhstan and export prices for crude oil and gas).

Decree 948 (which became effective on 29 August 2012) was issued to implement Article 15 of the Gas Law. However, according to Clause 14 of Article 15 of the Gas Law, the provisions of Article 15 of the Gas Law do not apply to (*inter alia*) raw and/or commercial gas produced (treated) by a subsoil user under a production sharing agreement which includes a tax stability clause, if the terms of that production sharing agreement include a priority right in favour of the Kazakh Government for the purchase of transferred raw and/or commercial gas.

Based on advice received from Kazakh legal counsel, the Directors believe that Article 15 of the Gas Law should not apply to Zhaikmunai LLP, as (a) Article 9 of the PSA contains a priority right in favour of the Kazakh Government for the purchase of transferred raw and/or commercial gas and (b) it is the intention of Article 15 of the Gas Law that the priority right contained in the PSA shall apply (to the exclusion of the priority right referred to in Article 15 of the Gas Law).

In addition, even if Article 15 of the Gas Law would otherwise apply to Zhaikmunai LLP, then application of such law to Zhaikmunai LLP would be prohibited by the general stability clause of its PSA, which provides that any changes in laws of the Republic of Kazakhstan that worsen Zhaikmunai LLP's position shall not be applicable to the PSA. To the extent that the Gas Law and Decree 948 adversely impact the position of Zhaikmunai LLP, they do not apply to Zhaikmunai LLP pursuant to the terms of the PSA as they entered into force after the PSA was signed.

Zhaikmunai LLP has consistently and repeatedly objected to its inclusion by the Competent Authority on the draft list of subsoil users to which Decree 948 is deemed to apply, but to date the Competent Authority has not yet removed Zhaikmunai LLP from the draft list. Notwithstanding that the Directors believe that the Gas Law and Decree 948 do not apply to

Zhaikmunai LLP, there is a risk that Zhaikmunai LLP will be included on the list when finalised (although there is currently no date set for the draft list to be finalised and published), that the list will be attached to a further decree and that Zhaikmunai LLP will be forced to sell its gas at prices determined by the Kazakh Government in accordance with a formula provided in Decree 948, which could be significantly lower than prices which the Group could otherwise achieve. If this were to happen it could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

***The Group may be unable to raise additional external financing if necessary; this would adversely affect its ability to pursue its business strategy.***

The Group may require additional equity or debt financing to satisfy its capital investment commitment and liquidity needs. The Directors may also, from time to time, seek to refinance the Group's existing external debt finance or utilise additional sources of finance if less expensive sources of financing are available. For example, in the years ended 2012, 2011 and 2010, Nostrum's cash used in capital expenditures for purchase of property, plant and equipment was approximately U.S.$210.3 million, U.S.$104.0 million and U.S.$132.4 million, respectively, reflecting primarily drilling costs and infrastructure and development costs. This expenditure was funded by a combination of cash from operations and debt financing. The Directors believe that the Group's future capital expenditures will be broadly in line with recent levels. The Group's current investment programme does not foresee the requirement for external financing to fund its major planned capital expenditure for the construction of the third gas treatment unit. However, beyond the current investment programme, or if the investment programme were to change or if the Group undertakes potential acquisitions, the Group may be required to raise additional equity or debt financing.

The Group's ability to arrange external financing and the cost of financing generally depend on many factors, including:

- economic and capital markets conditions generally, and in particular the non-investment grade debt market;
- investor confidence in the oil and gas industry, in Kazakhstan and in the Group;
- the Kazakh Government's pre-emptive right in relation to any future issues of equity if such right is not waived (see "*—Risk Factors Relating to Kazakhstan—The Kazakh Government holds a pre-emption right in respect of any transfer of an interest in an entity with a subsoil use licence in Kazakhstan*");
- the business and financial performance of the Group;
- legal and regulatory developments;
- the restriction on the incurrence of indebtedness contained in the Group's indebtedness, including the Notes, the 2015 Bonds and 2019 Bonds (see "*Description of Significant Indebtedness*");
- credit available from banks and other lenders; and
- provisions of tax and securities laws that are conducive to raising capital.

The terms and conditions on which future funding or financing may be made available may not be acceptable or funding or financing may not be available at all. If additional funds are raised by incurring debt, the Group may become more leveraged and subject to additional or more restrictive financial covenants and ratios. Although the Directors believe that they will be able to raise external financing when necessary, any inability of the Group to procure future financing if necessary would adversely affect its ability to pursue its business strategy or capital expenditure commitments at that time and could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

***The Group's leverage may, among other things, make it difficult for it to operate its business and may limit its operational flexibility.***

As at 30 September 2013, the Group had U.S.$652.5 million of outstanding indebtedness in respect of the 2015 Bonds and 2019 Bonds. As at 30 September 2013, on a *pro forma* basis after giving effect to this Offering, the Group would have had U.S.$933.7 million of outstanding indebtedness. See "*Capitalisation*" and "*Description of Significant Indebtedness*". As a result, the risks normally associated with debt financing may affect the Group's business, prospects, financial position and operating result of operations. For example, the Group's leverage could:

- require the Group to dedicate a substantial portion of its cash flows from operations to payments on its debt, which may reduce the funds available for working capital, capital expenditures and other general corporate purposes;
- impact the ability of the Group to obtain future debt financing, refinance its existing debt or raise new equity capital;
- impact the ability of the Group to meet its current interest payment obligations under the 2015 Bonds and the 2019 Bonds;

- restrict the ability of the Group to pursue acquisitions and respond to business opportunities and changes in the business environment; and
- increase the Group's vulnerability in the event of general, regional and/or industry-specific adverse economic conditions.

In addition, if principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, then the Group's cash flow may not be sufficient to repay all maturing debt.

In addition, prevailing interest rates or other factors at the time of refinancing, such as the possible reluctance of lenders to make commercial loans in Kazakhstan, could also result in higher interest rates and the increased interest expense would adversely affect the Group's ability to service debt and to complete its capital expenditure programme.

***The Group may not be able to manage its growth and expansion effectively.***

The Group has experienced rapid growth and development in a relatively short period of time, and the Group expects to continue to expand its business through the development of the second phase of the gas treatment facility in the future, further appraisal and development of the Chinarevskoye field and the initial appraisal of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields. The Group's management of its growth and projects will require, among other things, stringent control of financial systems and operations; the continued development of the Group's management and financial control; the ability to attract and retain sufficient numbers of qualified management, technical, accounting and other personnel; the continued training of such personnel, the presence of adequate supervision; and continued consistency in the quality of its services. Failure to manage growth, development and these major projects effectively could have a material adverse effect on the Group's business, prospects, financial condition, cash flows or results of operations.

***If the Group fails to develop the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields successfully, or the costs of such development are greater than expected, the Group's financial condition and future performance could be adversely affected.***

In 2013, the Group acquired the subsoil use rights to the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields, all of which are located between 80 kilometres and 120 kilometres from the Group's existing gas treatment facility, for total consideration of U.S.$16 million. The Group intends to complete the initial appraisal of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye development fields by the end of 2015, with a view to potentially converting possible reserves to probable reserves, and probable reserves to proved reserves and commencing its production from such fields.

Appraisal results for development fields are uncertain. Appraisal and development activities involving the drilling of wells across a field are unpredictable and may not result in the outcome planned, targeted or predicted, as only by extensive testing can the properties of the entire field be fully understood. Appraisal activities are also capital intensive and their successful outcome cannot be assured. The Group currently expects to incur costs of approximately U.S.$85 million in appraising the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye development fields but no assurance can be given that such expenditure will result in the discovery of commercially deliverable hydrocarbons.

The Group could experience difficulties (including geological and/or operational difficulties) in developing the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields or the costs of developing such fields could be greater than expected, which could have an adverse effect on its business, prospects, financial condition, cash flows and results of operations (See "*—Risk Factors Relating to the Oil and Gas Industry—The Group faces drilling, exploration, production and transportation risks and hazards that may affect the Group's ability to produce oil and gas products at expected levels, quality and costs*").

***If the Group fails to consummate or integrate acquisitions successfully, the Group's financial condition or future performance could be adversely affected.***

While management believes that the Group currently maintains adequate procedures, systems and controls, if the Group acquires another company or assets in the future, integrating operations and personnel and pre- or post-completion costs may prove more difficult and/or extensive than anticipated, thereby rendering the value of any company or assets acquired less than the amount paid. The integration of acquired businesses is likely to require significant time and effort on the part of the Group's management. Integration of new businesses can be difficult because the Group's operational and business culture may differ from the cultures of the businesses it acquires, unpopular cost-cutting measures may be required, internal controls may be more difficult to maintain and control over cash flows and expenditure may be difficult to establish. If the Group experiences difficulties in integrating future acquisitions it could have an adverse effect on its business, prospects, financial condition, cash flows and results of operations.

***The Group may face unanticipated increases in costs.***

The oil and gas business is a capital-intensive industry. To implement its business strategy, the Group has invested in the construction of its oil and gas pipelines, and has invested, and continues to invest, in drilling and exploration activities and infrastructure, including the second phase of the gas treatment facility. The Group's current and planned expenditures on such projects are subject to unexpected problems, costs and delays, and the economic results and the actual costs of these projects may differ significantly from the Group's current estimates. For example, in October 2012 the Group undertook a controlled shutdown of the gas treatment facility in order to bring it to at or near full design capacity, resulting in unexpected costs. See "*—The Group's planned development projects are subject to risks related to cancellation, delay, non-completion and cost overruns which could result in a reduction or suspension of the Group's production of hydrocarbons*".

The Group relies on oil field suppliers and contractors to provide materials and services in conducting its exploration, appraisal, development and production activities, and may incur additional expenses if it is required to perform some of these activities directly. Any competitive pressures on the oil field suppliers and contractors, or substantial increases in the worldwide prices of commodities, such as steel, could result in a material increase in costs for the materials and services required by the Group to conduct and expand its business. The cost of oil field services and goods globally has increased significantly in recent years and is heavily linked to the price of oil and could continue to increase in the future. Future increases could have a material adverse effect on the Group's operating income, cash flows and borrowing capacity and may require a reduction in the carrying value of the Group's properties, its planned level of spending for exploration and development and the level of its reserves.

Prices for the materials and services the Group depends on to conduct and expand its business may not be sustained at levels that enable the Group to operate profitably. The Group may also need to incur various unanticipated costs, such as those associated with personnel, transportation and Kazakh Government royalties and taxes. Personnel costs, including salaries, are increasing as the standard of living rises in Kazakhstan and as demand for suitably qualified personnel for the oil and gas industry increases. Additionally, trade unions are active in Kazakhstan, particularly in the oil and gas sector. Although there have been no strikes in the history of the Group, industrial action, and the increased costs associated with such action, could occur. An increase in any of these or other costs could materially and adversely affect the Group's business, prospects, financial condition, cash flows, and results of operations.

***The Group cannot accurately predict its future decommissioning liabilities.***

The Group, through its operations, has in the past assumed certain obligations in respect of the decommissioning of the Chinarevskoye Field and related infrastructure and is expected to assume additional decommissioning liabilities in respect of its future operations. These liabilities are derived from legislative and regulatory requirements concerning the decommissioning of wells and production facilities and require the Group to make provision for and/or underwrite the liabilities relating to such decommissioning. Although the Group's accounts make a provision for such decommissioning costs, there can be no assurances that the costs of decommissioning will not exceed the value of the long-term provision set aside to cover such decommissioning costs. It is difficult to forecast accurately the costs that the Group will incur in satisfying its decommissioning obligations and the Group may have to draw on funds from other sources to bear such costs, which could materially and adversely affect the Group's business, prospects, financial condition, cash flows and results of operations.

***The Group requires significant water supplies in order to conduct its business and failure to obtain such water may adversely affect its business.***

Normal drilling operations and exploration activities, and the use of water injection techniques in the Group's crude oil reservoirs, require access to significant supplies of water. The Group currently extracts water pursuant to a water use permit issued on 5 December 2008 (the "**Water Use Permit**") which is valid until 31 December 2014 with certain limitations on the amounts of water that can be used. The Water Use Permit can be withdrawn if the terms of special water use specified in the Water Use Permit are breached, although there is no history of breaches or withdrawals as at the date of this Offering Memorandum.

Such terms include monitoring the quality of underground water, submitting statistical reports and monitoring reports, complying with requirements relating to water protection during mining operations and regular checking of equipment. See also "*—Risk Factors Relating to the Oil and Gas Industry—The Group is obliged to comply with environmental regulations and cannot guarantee that it will be able to comply with these regulations in the future.*" As the Group's production increases, the amount of water required by the Group for its operations will also increase, which may require the Group to apply for additional permits to access additional water sources. On 14 January 2014, the Group applied for a further Water Use Permit for the 2015 to 2016 period. In the event the Group ceases to have access to the necessary amount of water, if the level of water available to it is curtailed or if the Group fails to obtain further Water Use Permits, the Group's ability to

pursue its drilling and production activities may be materially and adversely affected, which would have a material adverse effect on its business, prospects, financial condition, cash flows and results of operations. For more information on Water Use Permits, please see "*Regulation in Kazakhstan—Regulation of subsoil rights in Kazakhstan—Water permits*".

***The Group faces potential conflicts of interest.***

The Group has engaged in, and may continue to engage in, transactions with related parties that could give rise to conflicts of interest. For example, the Group has engaged in transactions with companies controlled by and/or related to its shareholders, including management service agreements with Claremont and its affiliates and construction contracts with a member of the KSS Group. Conflicts of interest may continue to arise in the future and the Group may not satisfactorily resolve any actual or potential conflict in the future. See "*Management and Corporate Governance—Board Structure, Practices and Committees of the General Partner—Conflicts of Interest and Fiduciary Duties*" and "*Related Parties and Related Party Transactions—Other*".

***The shareholder of the General Partner and its affiliates may be able to exercise substantial influence over the Issuer and the Group.***

As at the date of this Offering Memorandum, Thyler Holdings BV, which is under common control with Claremont, is the sole shareholder of the General Partner and Claremont and its Affiliates are the beneficial owners of 27.2% of the Common Units (either directly or in the form of GDRs). Claremont and its Affiliates (similar to other shareholders that own at least 25% of the Common Units, such as KSS) are also able to effectively block certain matters requiring approval of holders of Common Units (by way of special resolutions), including the payment of distributions. Claremont and its Affiliates may therefore be able to exercise substantial influence over the Group's business and affairs and may potentially be able to block actions that favour the interests of the Group or your interests as holders of the Notes over their own interests. In addition, as long as Claremont and its Affiliates beneficially own at least 25% (either directly or in the form of GDRs) of the Common Units, Thyler Holdings BV (similar to the rights of other owners of at least 25% of the Common Units, such as KSS) would be able to block any special resolutions (such as a proposal to remove the General Partner or to dissolve Nostrum Oil & Gas LP).

This concentration of ownership may also have the effect of delaying, deferring or preventing a change in control, impeding a merger, consolidation, takeover or other business combination or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control.

Nostrum Oil & Gas LP entered into a relationship agreement (the "**Relationship Agreement**") with Thyler and Claremont in March 2008 in which Thyler and Claremont undertook to allow Nostrum Oil & Gas LP to operate its business independently from Thyler and its Affiliates, and to ensure that commercial transactions and relationships with Thyler and its Affiliates are conducted on an arm's length basis. However, Nostrum Oil & Gas LP may be unable to enforce its rights under the Relationship Agreement and the relevant agreement will cease to have effect if Claremont (together with its Affiliates) holds less than 25% of the Common Units (either directly or in the form of GDRs).

If Claremont and its Affiliates block actions and thereby favour their interests over those of the Group (in violation of the terms of the Relationship Agreement), the Group's business, prospects, financial position or results of operations may be materially adversely affected.

***The Group depends on its key senior management and on its ability to retain and hire new qualified personnel and consultants.***

The Group depends on the contribution of a number of its key senior management and personnel. For example, the Group depends on the extensive contacts and relationships of its executives and Frank Monstrey, the Chairman of the Board of Directors and the services of Mr. Kai-Uwe Kessel, Nostrum's Chief Executive, for overall management of the Group's business.

The Group's future operating results depends in significant part upon the continued contribution of its key senior management, technical, financial, operations and marketing personnel. The Group's management of its business will require, among other things, stringent control of financial systems and operations, the continued development of its management controls, the ability to attract and retain sufficient numbers of qualified management and other personnel, the continued training of such personnel, the presence of adequate supervision and continued consistency in the quality of its services.

Key personnel, such as Mr. Kessel, may not remain with the Group. The Group is not insured against damage that may be incurred in case of loss or dismissal of the Group's key specialists or managers. The loss of or diminution in the services of one or more of the Group's senior management, or the Group's inability to attract, retain and maintain additional senior

management personnel, could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

In addition, the personal connections and relationships of Nostrum's key senior management, in particular Frank Monstrey, are important to the conduct of its business. If the Group were to unexpectedly lose a member of its key senior management, its business, prospects and results of operations might be adversely affected.

***The Group may face difficulties in recruiting and retaining qualified personnel in Kazakhstan.***

The Group's future success will depend, in part, on its ability to continue to attract, retain and motivate qualified personnel. Competition in Kazakhstan for personnel with relevant expertise is intense due to the relatively small number of qualified individuals. Currently, all Kazakh employers attracting foreign employees must obtain a work permit for such employees to work in Kazakhstan from local executive bodies (*Akimats*). The Kazakh Government establishes an annual quota on the number of foreigners who can be given such a permit and then the Ministry of Labour and Social Defence of Population of Kazakhstan allocates such quota among the oblasts, and the cities of Astana and Almaty. The quota is typically too small to permit the desired number of foreign employees and, accordingly, the process of obtaining work permits for foreign employees can be time-consuming and uncertain. Sanctions may also be imposed during the period between applying for, and obtaining, a work permit, which could include deportation of the individual concerned and an administrative fine. While 1.2% of Nostrum's staff as at 30 September 2013 were non-Kazakhs requiring a work permit, these individuals tend to serve in senior positions. As such, any changes affecting the availability of, or difficulties or costs in obtaining, work permits for these individuals could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

Factors critical to retaining the Group's present personnel and to attracting additional highly qualified personnel include the Group's ability to provide competitive compensation arrangements. Wage structures in Kazakhstan, though rising, remain lower than in more industrialised nations and it may be difficult to attract and retain experienced and skilled personnel from outside Kazakhstan at wages that are acceptable to the Group. In addition, the Group operates in areas which are subject to extreme temperatures and climate. As such, it is difficult to attract and retain skilled management personnel at affordable rates. The Group also retains external consultants to provide services that are critical to its operations and strategy, such as creating geological models used in exploration and performing hydro-fracturing and other stimulation techniques. Any failure by the Group to retain the services of its existing personnel and the services of specialist external consultants, and to successfully manage its personnel needs generally, could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

***The Group relies on transportation systems owned and operated by third parties which may become unavailable. The Group may be unable to access these or alternative transportation systems.***

The Group does not currently have the capacity to transport its crude oil production for export independently. Although the Group's crude oil production is currently transported from the Chinarevskoye Field to export markets via a crude oil pipeline owned by the Group to the Group's rail loading terminal near Uralsk, it still relies on third parties to transport its oil and condensate by rail car. The Group also relies on third parties to transport its LPG by truck.

The availability of sufficient rail cars affects the cost of transport of the Group's crude oil and condensate. Lack of available rail cars, or increased costs in the hiring of rail cars, could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

The viability of rail as a transport method for the Group depends heavily on Russia's transportation infrastructure since the rail cars must use the Russian railway system. The Russian government sets rail tariffs and may further increase these tariffs, as it has done in the past, generally on an annual basis. Russia has implemented the privatisation of certain state-owned railway enterprises. If the privatisation of Russia's railways or other factors result in increased railway transportation costs in Russia, this could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

The Group may also encounter various transportation risks with regards to its oil and gas products, which may affect the Group's ability to deliver its products in a timely and cost effective manner. If the Group experiences any problems with its pipeline, which connects the Chinarevskoye Field with its rail loading terminal in Rostoshi near Uralsk, as well as any other material transport disruptions (such as damage to its rail loading terminal in Rostoshi), it might be required to curtail its production activities or incur additional transportation and storage expenses from accessing alternative transport arrangements, including the use of trucks to transport crude oil and condensate to alternative rail loading terminals. At present, the Group does not currently have any alternative means to supply its gas to its customers other than via its 17 kilometre gas pipeline, which links the gas treatment facility to the Orenburg-Novopskov gas pipeline. If this pipeline or its

connection to the Orenburg-Novopskov gas pipeline were materially damaged, the Group would have to cease operating the gas treatment facility until such damage is repaired. The occurrence of any of these events could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

Any reduction or cessation in the availability of rail infrastructure or other means of transporting the Group's oil and gas products, whether due to serious malfunctions, security issues, political developments or other force majeure events, could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

***There are risks inherent in the Group's strategy of acquisition of new exploration and development properties.***

While no material acquisitions are currently under consideration, the Group's strategies include that, from time to time as suitable opportunities arise, it may consider acquiring additional oil and gas properties. Although the Group performs a review of properties that it believes is consistent with industry practices prior to acquiring them (such as those it carried out in respect of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields), such reviews are inherently incomplete. It generally is not feasible to review in depth every individual property involved in each acquisition. Ordinarily, the Group will focus its due diligence efforts on higher valued properties or assets and will conduct due diligence on only a sample of the remainder. However, even an in-depth review of all properties and records may not necessarily reveal existing or potential problems, nor will it permit a buyer to become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. Physical inspections may not be performed on every well, and structural or environmental problems, such as ground water contamination, are not necessarily observable even when an inspection is undertaken.

The Group may be required to assume pre-closing liabilities with respect to an acquisition, including environmental liabilities, and may acquire interests in properties on an "as is" basis. In addition, competition for the acquisition of prospective oil properties is intense, which may increase the cost of any potential acquisition. To date, the Group's exploration and development activities have been based in North-Western Kazakhstan, and the Group's lack of presence in other regions may limit its ability to identify and complete acquisitions in other geographic areas. There can be no assurance that any potential acquisition by the Group will be successful.

***The Group relies and will continue to rely on the services of third parties with respect to the construction, development and maintenance of its gas treatment facility and the development of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields.***

The Group relies and will continue to rely to a large extent on external contractors to carry out construction, development and maintenance of the second phase of the Group's gas treatment facility and the development of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields. The Group relies and expects to continue to rely on external contractors both local and external to Kazakhstan to perform major works, such as the project management, front end engineering and design, procurement, construction, engineering and commissioning of the planned second phase of the gas treatment unit as well as well drilling and maintenance, repairs and maintenance of equipment, maintaining and replacing pipe and other general building and structure maintenance. Some of the services required for the Group's operations and developments are currently only available on commercially reasonable terms from one or a limited number of providers. These operations and developments may be interrupted or otherwise adversely affected by failure to supply, or delays in the supply of services that meet the Group's quality requirements. If the Group is forced to change a provider of such services, there is no guarantee that this would not result in the Group experiencing additional costs and interruptions to production and supply continuity to its customers. There is also no guarantee that the Group will be able to find adequate replacement services on a timely basis or at all. Competition for the services of highly skilled third party contractors has increased and supply has become tightly constrained, and such competition may continue or intensify. As a result, the Group may face shortages of qualified third party contractors and significantly higher fees to retain the services of qualified third party contractors. As a result, the Group is largely dependent on satisfactory performance by its external contractors and the fulfilment of their obligations. If an external contractor fails to perform its obligations satisfactorily, this may lead to delays or curtailment of the production, transportation, refining or delivery of oil and gas and related products, which could have an adverse effect on the Group's business, prospects, financial condition or results of operations.

***Harsh climate conditions may detrimentally affect the lifespan of the Group's assets and the future cost and operation of the Group's facilities.***

West Kazakhstan, where the Chinarevskoye Field is located, is subject to extreme temperatures and climate. These temperature fluctuations impose additional stress on buildings and equipment and, as a result, the lifespan of buildings and equipment is not as long as in milder climates. The need to cater to extreme temperatures and climate also imposes additional costs in design, construction and maintenance. Since most of the equipment used by the Group is imported, maintenance costs are high. Supplies of spare parts and replacement parts are not locally or cheaply available and there is a shortage of skilled maintenance personnel to adequately service and maintain the Group's equipment. As a result, the increased costs of

design, construction and maintenance, or delays while replacement equipment and spare parts are delivered to the Chinarevskoye Field, could have an adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

***The Group is subject to risks related to fluctuations in the U.S. Dollar/Tenge exchange rate.***

The products that the Group exports are sold at prices quoted in U.S. Dollars and cash payment to the Group is made in U.S. Dollars. Approximately 40% to 45% of the Group's expenses for the nine months ended 30 September 2013 and the year ended 31 December 2012 were denominated in Tenge and not indexed to the U.S. Dollar and hence were subject to fluctuations of the U.S. Dollar/Tenge exchange rate. The Group does not maintain any currency hedging arrangements. If the value of the U.S. Dollar falls against the Tenge, then the Group will have less Tenge available to pay its Tenge expenses and its results will be adversely affected.

***The Group's insurance coverage does not cover all risks and may not be adequate for covering losses arising from potential operational hazards and unforeseen interruptions.***

The insurance industry in Kazakhstan is not as developed as in more advanced economies and many forms of insurance protection typically used in more advanced economies, such as business interruption insurance, are unavailable. Kazakhstan law requires oil and gas companies to insure only against certain limited types of risks, such as insurance of employees against accidents at work, environmental damage and certain civil liability, for instance civil liability of owners of objects, activities of which may cause damage to third parties, and vehicle owners' civil liability. As a result of its engagement in extraction and exploration activities, the Group may become subject to liabilities for hazards against which it either cannot obtain insurance, or which it may elect not to insure against because of high insurance premium costs. Losses from uninsured risks may cause the Group to incur costs that could have a material adverse effect on the Group's business, prospects, operating results and financial condition.

The Group's insurance does not cover business interruption, key-man, terrorism or sabotage insurance. The proceeds of insurance applicable to covered risks may not be adequate to cover increased expenses relating to these losses or liabilities. Accordingly, the Group may suffer material losses from uninsurable or uninsured risks or insufficient insurance coverage which could materially and adversely affect the Group's business, prospects, financial condition, cash flows and results of operations.

***The Group is subject or may become subject to the Bribery Act 2010 (the "Bribery Act") and the U.S. Foreign Corrupt Practices Act (the "FCPA"), and its failure to comply with the laws and regulations thereunder could result in penalties which could harm its reputation and have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.***

The Group is subject or may become subject to the Bribery Act and the FCPA, which generally prohibit companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business and/or other benefits. Although the Group has policies and procedures designed to ensure that the Group, its employees and agents comply with the Bribery Act and the FCPA, there is no assurance that such policies or procedures will work effectively all of the time or protect the Group against liability under the Bribery Act or the FCPA for actions taken by its agents, employees and intermediaries with respect to the Group's business. If the Group is not in compliance with the Bribery Act, the FCPA or other laws governing the conduct of business with government entities (including Kazakh laws), it may be subject to criminal and civil penalties and other remedial measures, which could have a material adverse impact on the Group's business, prospects, financial condition, cash flows and results of operations. Any investigation or allegation of any potential violations of the Bribery Act, the FCPA or other anti-corruption laws by U.S. or foreign authorities also could have a material adverse impact on the Group's business, prospects, financial condition, cash flows and results of operations. Furthermore, any remediation measures taken in response to such potential or alleged violations of the Bribery Act, the FCPA or other anti-corruption laws, including any necessary changes or enhancements to the Group's procedures, policies and controls and potential personnel changes and/or disciplinary actions, may materially adversely impact its business, prospects, financial condition, cash flows and results of operations.

***The Group's IT systems are subject to disruption which could adversely impact the Group's operations.***

The Group's IT systems in Uralsk, where its operations are primarily carried out, occasionally suffer from power outages and other disruptions. The Group is in the process of implementing backup procedures and developing formal disaster recovery plans but, as at the date of this Offering Memorandum, this has not yet been completed. While the Group's main storage data is regularly backed up, the Group does not regularly test backup copies for restoration (which may mean that the Group would be unable to restore systems when necessary). Were a severe disruption to the Group's IT systems in Uralsk to occur, it could adversely affect the Group's business, prospects, financial condition, cash flows and results of operations.

***Labour unrest may materially adversely affect the Group's business.***

While the Group has not experienced any work stoppages, strikes or similar actions in the past and considers its relations with its employees to be good, there can be no assurance that stoppages or strikes will not occur in the future, that there will be sufficient alternative staff and employees to run production and other activities in the event of a stoppage or strike, that any such future potential labour unrest will be satisfactorily resolved and that further disturbances will not arise. In addition, there can be no assurance that any future strike would not result in ongoing reductions in production or a need to devote significant financial resources to restore production. Labour unrest may materially adversely affect the Group's business, prospects, financial condition or results of operations as a result of a disruption in production or other activities.

**Risk Factors Relating to the Oil and Gas Industry**

***The Group may be adversely affected by a substantial or extended decline in prices for crude oil and gas.***

The Group's future revenues, profitability and cash flows depend heavily on prevailing crude oil and gas prices. Crude oil and gas sales have been and are expected to continue to be the Group's primary source of revenue, and the price of crude oil and gas is affected by a variety of factors beyond the Group's control. Historically, crude oil prices have been highly volatile. According to Bloomberg, the spot price of Brent crude oil reached approximately U.S.$98.26 per barrel as at 31 December 2011, U.S.$103.74 per barrel as at 31 December 2012 and U.S.$110.53 per barrel as at 31 December 2013. Prices have varied between a low of approximately U.S.$105.60 per barrel and a high of approximately U.S.$108.27 per barrel in the first month of 2014. The price per barrel was approximately U.S.$105.12 as at 30 September 2013.

Prices for oil and gas are subject to large fluctuations in response to a variety of factors beyond the Group's control, including:

- the condition of the world economy and geopolitical events;
- changes in the global and regional supply of and demand for commodities and expectations regarding future supply and demand;
- market uncertainty and speculative activities by those who buy and sell commodities on the world markets or fluctuations in currencies, particularly the U.S. dollar;
- weather, natural disasters and general economic conditions;
- actions of the Organisation of Petroleum Exporting Countries, and other nations exporting petroleum products, to set and maintain specified levels of production and prices;
- governmental regulation in Kazakhstan and elsewhere;
- political stability in Kazakhstan, neighbouring countries and other regions exporting petroleum products;
- technical advances affecting energy consumption and extraction methods;
- advances in shale oil and gas production in the United States, which facilitated the monetization of resources that were previously considered non-commercial; and
- prices and availability of alternative and competing fuel sources.

Accordingly, the Group may not continue to receive the same prices for its products as it currently receives or historically has received. Any decline in crude oil and gas prices and/or any curtailment in the Group's overall production volumes could result in a reduction in net income, could impair the Group's ability to make planned capital expenditures and to incur costs necessary for the development of the Group's business and its oil and gas fields, and could materially and adversely affect the Group's business, prospects, financial condition, cash flows and results of operations.

Futhermore, while it is the Group's policy to hedge against adverse oil price movements during times of considerable non-scalable capital expenditure, the Group currently has not entered into any hedging contracts and no assurance can be given that the Group will be able to enter into hedging contracts on commercially acceptable terms, or if hedging contracts are entered into, that they will protect the Group from adverse oil price movements fully or at all.

***The level of the Group's reserves, their quality and production volumes may be lower than estimated or expected.***

Unless stated otherwise, the reserves data included in this Offering Memorandum has been derived or extracted from the 2013 Ryder Scott Report and have been prepared in accordance with the standards established by the SPE-PRMS. There are numerous uncertainties inherent in estimating the quantity and the quality of reserves and in projecting future rates of production, including many factors beyond the Group's control. Estimating the amount and quality of reserves is a subjective process and estimates made by different experts can vary significantly. In addition, results of drilling, testing and production subsequent to the date of an estimate may result in revisions to that estimate. Accordingly, reserves estimates may be

different from the quantity or quality of hydrocarbons that are ultimately recovered and, consequently, the revenue derived therefrom could be less than that currently expected. The significance of such estimates depends heavily on the accuracy of the assumptions on which they are based, the quality of the information available and the ability to verify such information against industry standards.

The reserves data contained herein are estimates only and should not be construed as representing exact quantities. These estimates are based on production data, prices, costs, ownership, geological and engineering data, and other information assembled by the Group, and they assume, among other things, that the future development of the Group's fields and the future marketability of the Group's products will be similar to past development and marketability. Many of the factors, assumptions and variables involved in estimating reserves are beyond the Group's control and may prove to be incorrect over time, and potential investors should not place undue reliance on the forward-looking statements contained herein (including data taken from the 2013 Ryder Scott Report) concerning the Group's reserves or production levels. For example, the Group's 2012 production results differed from the estimates in the 2012 production report produced by Ryder Scott as a result of slower than expected ramp-up to the full design capacity of the first phase of the gas treatment facility.

Estimates of the value and quantity of economically recoverable oil reserves, rates of production, net present value of future cash flows and the timing of development expenditures necessarily depend upon several variables and assumptions, including:

- historical production from the area compared with production from other comparable producing areas;
- interpretation of geological and geophysical data;
- assumed effects of regulations adopted by governmental agencies;
- assumptions concerning future percentages of international and domestic sales;
- assumptions concerning future crude oil and other hydrocarbon prices;
- the availability, application and efficacy of new technologies;
- capital expenditures; and
- assumptions concerning future operating costs, taxes on the extraction of hydrocarbons, development costs and workover and remedial costs.

Because all reserves estimates are subjective, each of the following items may differ materially from those assumed in estimating the Group's reserves:

- the quantities and qualities of hydrocarbons that are ultimately recovered;
- the production and operating costs incurred;
- the amount and timing of additional exploration, appraisal and development expenditures; and
- future hydrocarbon oil sales prices.

Many of the factors, assumptions and variables used in estimating reserves are beyond the Group's control and may prove to be incorrect over time. Evaluations of reserves necessarily involve multiple uncertainties. The accuracy of any reserves or resources evaluation depends on the quality of available information and petroleum engineering and geological interpretation. Exploration drilling, interpretation and testing and production after the date of the estimates may require substantial upward or downward revisions in the Group's reserves or resources data. Moreover, different reservoir engineers may make different estimates of reserves and cash flows based on the same available data. Actual production, revenues and expenditures with respect to reserves and resources will vary from estimates, and the variances may be material. The estimation of reserves may also change because of acquisitions and disposals, new discoveries and extensions of existing fields as well as the application of improved recovery techniques.

If the assumptions on which the estimates of the Group's reserves have been based are wrong, the Group may be unable to produce the estimated levels or quality of products set out in this Offering Memorandum, which would have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

***Contingent and prospective resources are unlikely to be commercially productive in the short or medium term.***

Unless stated otherwise, the contingent and prospective resources set forth in this Offering Memorandum have been extracted without material adjustment from the 2013 Ryder Scott Report, which has been prepared by Ryder Scott in accordance with the SPE-PRMS standards. Special uncertainties exist with respect to the estimation of contingent and prospective resources in addition to those that apply to reserves. Contingent resources are resources estimated, as of a given date, to be potentially recoverable from known accumulations but are not yet considered mature enough for commercial development due to one or

more contingencies. Contingent resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Prospective resources are resources estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Development of contingent and prospective resources, if undertaken, may involve considerable expense, and may not result in the discovery of hydrocarbons in commercially viable quantities. The probability that contingent and prospective resources will be economically recoverable is considerable lower than that for proved, probable and possible reserves. Volumes and values associated with contingent and prospective resources should be considered highly speculative and there can be no guarantee that the Group will be able to develop these resources commercially.

***Failure by the Group to gain access to additional reserves or to acquire additional reserves at commercially viable prices could materially adversely affect the Group's ability to achieve its long-term growth strategy.***

As with any company in the oil and gas industry, the long-term commercial success of the Group depends on its ability to explore, appraise and develop oil and gas reserves and to commercially produce oil and gas from such reserves. If the Group is unsuccessful in locating and developing or acquiring new reserves, its existing reserves (and hence production) will decline over time due to depletion by production. Future increases in the Group's reserves will depend not only on the Group's ability to develop its present properties but also on its ability to select and acquire additional suitable producing properties or prospects. The Group will need to acquire or find and develop additional reserves in order to maintain its current production levels in the long term. There can be no assurance that the Group will be able to identify appropriate acquisition opportunities or that it will be able to make such acquisitions on appropriate terms as and when they become available. Any efforts by the Group to acquire additional reserves involve a number of risks, including competition from other interested purchasers who may have larger financial resources than the Group has; unidentified historical or future liabilities of the operations that the Group may acquire; the inability to receive accurate and timely information about these operations in order to make informed investment decisions; problems in integrating acquired operations; and problems in hiring and retaining qualified personnel. Many of the Group's competitors are also actively seeking to acquire interests in Kazakh oil and gas operations. These companies may be able to pay more for exploratory prospects and productive oil and gas properties and may be able to identify, evaluate, bid for and purchase a greater number of prospects and properties, including operatorships and licences, than the Group's financial or human resources permit. Any failure by the Group to acquire or find and develop additional reserves at commercially viable prices is likely to lead to a decline in the Group's reserves and production, which may materially adversely affect the Group's business, prospects, financial condition and results of operations.

***The Group may not be able to develop commercially its reserves and resources.***

The SPE-PRMS standards have been applied to estimate the Group's reserves and resources. Under SPE-PRMS standards, probable reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than proved reserves. Possible reserves may be assigned to areas of a reservoir adjacent to probable where data control and interpretations of available data are progressively less certain. Contingent resources are those deposits that are estimated, on a given date, to be potentially recoverable from known accumulations but that are not currently considered commercially recoverable. The resources may not be considered commercially recoverable by the Group for a variety of reasons, including the high costs involved in recovering the contingent resources, the price of oil at the time and the availability of the Group's resources and other development plans that the Group may have. By contrast, prospective resources are those deposits that are estimated, on a given date, to be potentially recoverable from undiscovered accumulations. Frequently, this may be in areas where geoscience and engineering data are unable to clearly define the area and vertical reservoir limits of commercial production from the reservoir by a defined project. The Group's estimates of its possible and probable reserves, and resources, are uncertain and can change with time and there can be no guarantee that the Group will be able to develop its reserves and resources commercially.

***The Group faces drilling, exploration, production and operational risks and hazards that may affect the Group's ability to produce oil and gas products at expected levels, quality and costs.***

The Group's future success will depend, in part, on its ability to develop oil and gas products reserves in a timely and cost-effective manner. The Group's drilling activities may be unsuccessful and the actual costs incurred to drill and operate wells, and to complete well workovers, may have an adverse impact on the Group's profits. The Group may be required to curtail, delay or cancel any drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, premature declines in reservoirs, blowouts, uncontrollable flows of hydrocarbons or well fluids, pollution and other environmental risks, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment and spare parts. The Group's current or future oil and gas appraisal, exploration projects and use of enhanced recovery techniques may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not

produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. The Group is also exposed to drilling hazards and environmental damage that could greatly increase its operating costs or result in the deterioration of its field operations. In addition, various field conditions may adversely affect its oil and gas production. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity, and adverse geological conditions.

For example, in August 2012, the Group decided to expand its operations and agreed to acquire subsoil use rights to three new oil and gas fields in Kazakhstan, Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye, located approximately 60 to 120 kilometres from the Chinarevskoye Field. This transaction was completed on 24 May 2013 and the Group is currently in the process of analysing the optimal appraisal and development programme for the fields. However, appraisal and exploration activities are capital intensive and inherently uncertain in their outcome and there can be no assurance that the Group will be successful in its plans to develop these fields profitably.

The Group's production operations are also subject to risks associated with natural catastrophe, fire, explosion, blowouts, encountering formations with abnormal pressure, the level of water cut, cratering and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury or death. Any of these risks could, among other things, result in loss of hydrocarbons or could lead to environmental pollution and other damage to the Group's properties or nearby areas, increased costs, loss of life, injury to persons and affect the ability of the Group to extract hydrocarbons, process gas and transport its products and potentially sanctions for breach of the PSA, the Subsoil Use Agreements the Licence and applicable law.

The Group's existing gas treatment facility is shut down each year for scheduled maintenance of approximately two weeks (the most recent shutdown, in September 2013, was conducted over nine days). During this period, the Group flares associated gas pursuant to a gas flaring permit from the Competent Authority. The current gas flaring permit is due to expire at the end of 2014, although the Directors expect that this will be renewed. If this permit is not renewed, the Group would either have to flare associated gas and be liable for a fine for such flaring or to reduce or suspend its production activities which depend upon an operational gas treatment facility. Any such reduction or suspension of gas production activities would have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

Additionally, the cost and duration of this maintenance shutdown could be greater than the Group forecasts. Any prolonged shutdown of the gas treatment facility could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Any of these drilling, exploration, production and operational risks and hazards could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

***The Group may be unable to comply with its obligations under the PSA and the Licence or under subsoil use agreements for the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields.***

The Group's exploration, mining and processing activities depend on the grant, renewal or continuance in force of the PSA, the Licence, or under subsoil use agreements for the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields ("**Subsoil Use Agreements**") and other licences, permits, and regulatory approvals and consents, each of which are valid for a limited time period. The PSA, the Licence, the Subsoil Use Agreements and other licences, permits and regulatory approvals and consents may not in the future be granted on terms acceptable to the Group or at all, and may not continue in force. Various provisions of Kazakh law provide that fines may be imposed and licences and subsoil use contracts may be suspended, amended or terminated if a licence holder fails to comply with its obligations under such documents and Kazakh law.

The Group's operations must be carried out in accordance with the terms of applicable law, the Licence and the PSA (including the production permit, the exploration permit, the Development Plans, the gas flaring permits, the technological scheme of development of the Licence area and work programs), the Subsoil Use Agreements and other licences, permits, regulatory approvals and consents. Under the New Subsoil Law, the failure by a subsoil user to remedy more than two breaches of its obligations under a subsoil use contract or project documents within a period of time established in the notice of such breach from the Competent Authority may result in a termination of the relevant subsoil use contract. In the past few years the Competent Authority announced it had terminated subsoil use contracts of certain companies due to breaches of Kazakhstan regulations relating to goods, supplies and services from Kazakh sources. In addition, any antecedent breach under the Licence, the PSA, the Subsoil Use Agreements and other licences, permits, regulatory approvals and consents could result in the Group being ineligible for the licenses, approvals and permits it needs in the future.

The State's central executive agency, designated by the Kazakh Government to act on behalf of the State to exercise rights relating to the execution and performance of subsoil use contracts, which was the Ministry of Energy and Mineral Resources of Kazakhstan until 12 March 2010, when it was reorganised into the Ministry of Oil and Gas with respect to the oil and gas industry has, on various occasions in the past, notified Nostrum of purported violations of certain provisions of the PSA and requested information from Nostrum demonstrating its compliance with its obligations under the PSA. Nostrum has responded to all such notices and requests and has provided the requested information, which Nostrum believes demonstrates its compliance with the terms of the PSA, to the relevant authorities. The Directors believe that Nostrum is in compliance in all respects with its obligations under the PSA, the Licence and the Subsoil Use Agreements. To date such authorities have not taken any further action in relation to such notices regarding the PSA following receipt of such information from Nostrum and no notices of any material adverse action on the part of the authorities have been received by Nostrum although no assurance can be given that the relevant authorities will not in the future take further action or that new allegations of violations against the Group will not be made.

However, the views of the Kazakh Government agencies regarding the development of the Chinarevskoye Field or compliance with the terms of its licences or permits may not coincide with the Group's views, which might lead to disagreements that cannot be resolved. The Group could also encounter challenges from third parties to the validity of its existing Licence and contracts, or any future permits that may be required, which could trigger suspension and subsequent termination of these contracts. The Directors regard the likelihood of either of these risks materialising as low.

Any suspension, revocation or termination of any of the Licence, the PSA or other material permits or agreements (for any of the reasons stated above) could prevent or significantly reduce the Group's production of hydrocarbons, which would have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

***The Group may be unable to implement changes to its existing work program.***

As part of the tenth supplementary agreement to the PSA, the Group has replaced its annual work program for the Chinarevskoye field by a single work program for the 2013-2032 period. Any additional changes to the single work program would require the Group to further amend the PSA. In previous years, the relevant government authorities have approved changes requested by the Group and have executed supplemental agreements to the PSA. In the future, if the Group is unable to amend the PSA for any reason, it would be required to follow the existing single work program, which might not be sufficient to accommodate future increases in the Group's reserve base and would therefore constrain the Group's ability to diversify its sources of production.

***The Group is obliged to comply with environmental regulations and cannot guarantee that it will be able to comply with these regulations in the future.***

The Group's operations are subject to environmental risks inherent in oil and gas exploration and production industries. Compliance with environmental regulations may make it necessary for the Group, at costs that may be substantial, to undertake measures in connection with the storage, handling, transportation, treatment or disposal of hazardous materials and waste and the remediation of contamination.

The legal framework for environmental protection and operational safety is not yet fully developed in Kazakhstan. Stricter environmental requirements, such as those governing discharges to air and water, the handling and disposal of solid and hazardous wastes, land use and reclamation and remediation of contamination, may be adopted in the near future, and the environmental authorities may move towards a stricter interpretation of existing legislation. The costs associated with compliance with such regulations could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

The Group's environmental obligations include complying with Kazakh environmental legislation, particularly the Kazakhstan Environmental Code (dated 9 January 2007, as amended) (See also "*Regulation in Kazakhstan—Regulation of subsoil use rights in Kazakhstan—Environmental Permits*"). The costs of environmental compliance in the future and potential liability due to any environmental damage that may be caused by the Group could be material. Moreover, the Group could be adversely affected by future actions and fines imposed on the Group by the environmental protection agencies of the Kazakh Government, including the potential suspension or revocation of the Licence or Subsoil Use Agreements and termination of the PSA. To the extent that any provision in the Group's accounts relating to remediation costs for environmental liabilities proves to be insufficient, this could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

In addition, in March 2009, the President of Kazakhstan signed the law on the ratification of the Kyoto Protocol to the United Nations Framework Convention on Climate Change (the "**Kyoto Protocol**"), which is intended to limit or discourage emissions of greenhouse gases such as carbon dioxide. The effect of such ratification in other countries is still unclear;

accordingly, potential compliance costs associated with the Kyoto Protocol in Kazakhstan are unknown and may be significant. Nonetheless, the likely effect will be to increase costs for electricity and transportation, restrict emissions levels, impose additional costs for emissions in excess of permitted levels and increase costs for monitoring, reporting and financial accounting. Increases in such costs could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results or operations.

Although the Group is obliged to comply with all applicable environmental laws and regulations, given the changing nature of environmental regulations, it may not be in compliance at all times. Any failure to comply with these environmental requirements could subject the Group to, among other things, civil liabilities and penalty fees and possibly temporary or permanent shutdown of the Group's operations. In the past, the Kazakh Government claimed that the operator of the Kashagan oil field (a consortium of international investors) had breached certain provisions of its licence and environmental regulations, and consequently suspended the operator's licence. The New Subsoil Law empowers the Competent Authority to terminate existing subsoil licences in certain circumstances. The PSA and the Licence or the Subsoil Use Agreements could be suspended as a consequence of non-compliance with environmental regulations. See "*—Risk Factors Relating to Kazakhstan—The Group is exposed to the risk of adverse sovereign action by the Kazakh Government*". Any such suspension or revocation, or the costs associated with compliance with such regulations, could materially and adversely affect the Group's business, prospects, financial condition, cash flows and results of operations.

***The Group is obliged to comply with health and safety regulations and cannot guarantee that it will be able to comply with these regulations.***

The Group's operations are subject to laws and regulations relating to the protection of human health and safety. Failure, whether inadvertent or otherwise, by Nostrum to comply with applicable legal or regulatory requirements may give rise to significant liabilities. The Group's health and safety policy is to observe local and national, legal and regulatory requirements and generally to apply best practice where local legislation does not exist.

Nostrum incurs, and expects to continue to incur, substantial capital and operating costs in order to comply with increasingly complex health and safety laws and regulations. New laws and regulations, the imposition of tougher requirements in licences, subsoil use agreements and permits, increasingly strict enforcement of, or new interpretations of, existing laws, regulations and licences, or the discovery of previously unknown contamination may require further expenditures to modify operations or pay fees or fines or make other payments for breaches of health and safety requirements.

Although the costs of the measures taken to comply with health and safety regulations have not had a material adverse effect on the Group's financial condition or results of operations to date, in the future, the costs of such measures and/or liabilities related to damage to human health and safety caused by Nostrum may increase, adversely affecting its operating results and financial condition.

***The Group is subject to an uncertain tax environment that may lead to disputes with regulatory authorities.***

The PSA provides that for the lifetime of the PSA, Nostrum shall be subject to the tax regime that was in place in Kazakhstan at the time the PSA was signed, unless the parties to the PSA agree otherwise. In addition, under the PSA, Zhaikmunai LLP is required to share a proportion of its production (in cash or kind), and make royalty payments in addition to certain other payments.

As of 1 January 2009, a new Code of the Republic of Kazakhstan "On Taxes and Other mandatory Payments into the Budget (Tax Code)" dated 10 December 2008, no. 99-IV, as amended (the "**2009 Tax Code**" or the "**Tax Code**") became effective and introduced a new tax regime and taxes applicable to subsoil users (including mineral extraction tax and payment to compensate historical cost). While the Tax Code does not supersede the previous tax regime applicable to PSAs entered into before 1 January 2009 and which have undergone mandatory tax expertise, which continue to be effective under Articles 308 and 308-1 of the Tax Code, the Tax Code applies to the three new subsoil use contracts in respect of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields that the Group has recently acquired.

In 2010 and 2011, the Competent Authority entered into discussions with all subsoil users who were parties to PSAs with the Kazakh Government, including Zhaikmunai LLP, with regard to potential changes to the tax regime applicable to such PSAs. Kazakh Government officials publicly expressed a desire to remove tax stability provisions from PSAs in cases where such a change was necessary to restore the balance of interests between the parties. While the Group believes that such a change would not be justified or appropriate in relation to its PSA, there is no certainty that the Kazakh Government will share this view. There is currently no indication that the Kazakh Government's stated intention to remove tax stability provisions from PSAs will result in any change in the tax regime applicable to Zhaikmunai LLP's PSA or what such change, if any, would be (see "*—Risk Factors Relating to Kazakhstan—The Group is exposed to the risk of adverse sovereign action by the Kazakh Government*").

Future tax investigations or inquiries could create tax liabilities for the Group or could result in assessments to which the Group believes it is not subject, or with which the Group believes it has complied. Tax authorities could conceivably impose material fines, penalties and interest charges that could be challenged unsuccessfully by the Group either with the tax authorities or through the courts. The uncertainty of application, including retroactive application, of tax laws and the evolution of tax laws create a risk of additional and substantial payments of tax by the Group, which could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations. See note 26 to the consolidated financial statements as at and for the year ended 31 December 2012 for more details regarding certain contingent taxation liabilities.

***The Group operates in a highly competitive industry.***

The oil and gas industry is highly competitive. The Group competes with numerous other participants in the acquisition of subsoil use rights for oil and gas exploration, production and properties, and access to export transportation routes for oil and gas. Competitors include oil and gas companies that have greater financial resources, staff and facilities than the Group has. See "*Business—Competition*". The Group's ability to increase reserves in the future will depend not only on its ability to develop existing properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and gas products include price, methods and reliability of delivery and availability of imported products. The Group's failure to compete effectively could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

## Risk Factors Relating to Kazakhstan

***Risks associated with emerging and developing markets generally.***

The disruptions experienced in the global and regional capital markets from 2007 onwards have led to reduced liquidity and increased credit risk for certain market participants and have resulted in a reduction of available financing. Companies located in emerging markets such as Kazakhstan may be particularly susceptible to these disruptions and to reductions in the availability of credit or increased financing costs, which could result in financial difficulties. In addition, the availability of credit to entities operating within the emerging markets is significantly influenced by levels of investor confidence in these markets, and, as such, any factors that impact market confidence, (for example, a decrease in credit ratings, or state or central bank intervention in one market or terrorist activity and conflict), could affect the price or availability of funding for entities within any of these markets.

Since the advent of the global economic crisis in 2007, Kazakhstan's economy has been, and may continue to be, adversely affected by market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems outside Kazakhstan or an increase in the perceived risks associated with investing in emerging and developing economies could dampen foreign investment in Kazakhstan and adversely affect the Kazakhstan economy. Kazakhstan's banking sector has been particularly affected by the lack of availability of international wholesale debt financing, the volatility of deposits and the fact that they have suffered significant losses, all of which led to a destabilisation of Kazakhstan's banking sector. This led to a government bail-out programme in 2009 which led to State support for Kazakhstan's four largest banks (BTA, Alliance Bank, Halyk Bank and Kazkommertsbank). This resulted in new banking legislation and, although this legislation has now been tested four times, there can be no assurance that this legislation will lead to a recovery of the domestic financial markets or the condition of Kazakhstan banks. This in turn may have further negative effects on the Kazakhstan economy.

The oil and gas sector in Kazakhstan has recently experienced significant volatility. As oil and gas production and exports, to a large degree, form the foundation of the country's economy, the Kazakhstan economy is particularly sensitive to fluctuations in the price of oil and gas on the world market. A decline in the price of oil and/or gas could therefore have a significant negative effect on Kazakhstan's economy. In turn, this could have a direct negative effect on the Group, whose primary source of revenue is sales of crude oil, gas and other hydrocarbons. See "*—The Kazakhstan economy is highly dependent on oil exports. Accordingly, the Kazakhstan economy and the Group may be affected by oil price volatility*" and "*—Risk Factors Relating to the Oil and Gas Industry—Any volatility and future decreases in commodity prices could materially adversely affect the Group's business, prospects, financial condition, cash flows and results of operations*".

In addition, on-going terrorist activity and armed conflicts in the Middle East and elsewhere have also had a significant effect on international finance and commodity markets. Any future national or international acts of terrorism or armed conflicts could have an adverse effect on the financial and commodities markets in Kazakhstan and the global economy. As Kazakhstan produces and exports large volumes of crude oil and gas, any acts of terrorism or armed conflicts causing disruptions of Kazakh oil and gas exports could negatively affect the Kazakhstan economy and thereby materially adversely affect the Group's business, prospects, financial condition, cash flows or results of operations.

Potential investors in emerging markets such as Kazakhstan should therefore be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Potential investors in the Notes should also note that emerging economies such as Kazakhstan's are subject to rapid change and that the information set out in this Offering Memorandum may become outdated relatively quickly. Accordingly, potential investors in the Notes should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging and developing markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Potential investors are urged to consult with their own legal and financial advisers before making an investment in the Notes.

***The political environment in Kazakhstan has a significant impact on the Group.***

Kazakhstan became an independent sovereign nation in 1991 following the break-up of the Union of Soviet Socialist Republics (the "**USSR**" or the "**Soviet Union**"). Since then, Kazakhstan has undergone major change as part of its transformation from a centralised planned economy to a free-market economy. Initially, this transformation was accompanied by political uncertainty and strain, where economic downturns were accompanied by high inflation, volatility in the national currency and rapid, although incomplete, changes to the legal environment.

Following the break-up of the Soviet Union, a number of the former republics of the USSR went through periods of political instability, civil unrest, military action and territorial disputes accompanied by violence. From the period of independence up to the date of this Offering Memorandum, the political situation in Kazakhstan has generally remained calm. At the same time, no assurances can be given that the situation will not change as a result of an internal conflict or outside influence. An example of this is provided by the events which occurred on 16 December 2011 in the city of Zhanaozen in the Mangistau region of Kazakhstan. Mass riots which started in the city's main square during the celebrations of the 20th anniversary of Kazakhstan's independence resulted in dozens of people being killed or injured and significant damage being caused to the city's infrastructure. According to some sources, the riots were caused by discontent amongst oil workers, including over low wages.

***The Kazakhstan economy is highly dependent on oil exports. Accordingly, the Kazakhstan economy and the Group may be affected by oil price volatility.***

The economy and state budget of Kazakhstan, as with other countries in the Central Asian region, rely on the export of crude oil and oil products and other commodities, the import of capital equipment and significant foreign investment in infrastructure projects. As a result, Kazakhstan could suffer from volatility, or a sustained decline in oil and other commodity prices, or from the frustration or delay of any infrastructure projects caused by political or economic instability in countries participating in such projects. Kazakhstan's dependence on oil and oil products also has an indirect impact on its currency, the Tenge, which is indirectly correlated to the price of oil.

In addition, any fluctuations in the value of the U.S. Dollar relative to other currencies may cause volatility in earnings from U.S. Dollar-denominated crude oil, condensate and other hydrocarbons exports. An oversupply of crude oil or other commodities in world markets or a general downturn in the economies of any significant markets for crude oil or other commodities or weakening of the U.S. Dollar relative to other currencies would have a material adverse effect on the Kazakhstan economy which, in turn, could have an adverse effect on the business, prospects, financial condition, cash flows and results of operations of the Group.

***Uncertainty over the outcome of the implementation of economic reforms in Kazakhstan may impose risks.***

There remains a need for substantial investment in many sectors of the Kazakhstan economy and there are areas in which economic performance in the private sector is still constrained by an inadequate business infrastructure. The Kazakh Government has stated that it intends to address these problems by improving business infrastructure and tax administration. Further, the significant size of the shadow economy may adversely affect the implementation of reforms and hamper the efficient collection of taxes. There can be no assurance that these measures taken by the Kazakh Government for the implementation of the economic reform will be effective or that any failure to implement them may not materially and adversely affect the Group's business, prospects financial condition, cash flows and results of operations.

***Kazakhstan's tax regime and its judiciary are not fully developed and are therefore unpredictable.***

Although a large volume of legislation has come into force since early 1995 (including the Law "On National Security" of the Republic of Kazakhstan dated 6 January 2012, No. 527-IV, the Tax Code, the Law of the Republic of Kazakhstan "On Competition" dated 25 December 2008, No. 112-IV (the "**Competition Law**") laws relating to foreign arbitration and other legislation covering such matters as securities exchanges, economic partnerships and companies, state enterprise reform and privatisation), the legal framework in Kazakhstan is still in a relatively early stage of development compared to those in

countries with established market economies. The judicial system, judicial officials and other government officials in Kazakhstan may not be independent of external social, economic and political forces. There have been instances of improper payments being made to public officials, and administrative decisions have been inconsistent and court decisions difficult to predict.

Further, due to numerous ambiguities in Kazakhstan's commercial legislation, in particular in its tax legislation, Kazakhstan tax authorities may make arbitrary assessments of tax liabilities and challenge previous tax assessments, thereby rendering it difficult for companies to ascertain whether they are liable for additional taxes, penalties and interest. As a result of these ambiguities, including, in particular, the uncertainty surrounding judgments rendered under the 2009 Tax Code, as well as a lack of an established system of precedent or consistency in legal interpretation, the legal and tax risks involved in doing business in Kazakhstan are substantially greater than those in jurisdictions with more developed legal and tax systems. Tax legislation in Kazakhstan may also continue to evolve, which may result in further uncertainty.

The 2009 Tax Code was adopted at the end of 2008 and came into force on 1 January 2009, except for certain provisions which came into force on 1 July 2011. The 2009 Tax Code provides for reduced rates for certain taxes, including corporate income tax, which has been reduced from 30% to 20%, and value-added tax ("**VAT**"), which has been reduced from 13% to 12%. Despite these reductions, the Group expects certain revenue-raising measures to be implemented, which may result in significant additional taxes becoming payable. Additional tax exposure could have a material adverse effect on companies operating in Kazakhstan, such as the Group.

***The President of Kazakhstan, Nursultan Nazarbayev, has been in office since 1991 and should he leave office without a smooth transfer to his successor, the political and macroeconomic situation in Kazakhstan could become unstable.***

The President of Kazakhstan, Nursultan Nazarbayev, is 73 years old and has been in office since Kazakhstan became an independent sovereign state in 1991. Under President Nazarbayev's leadership, the foundations of a market economy have taken hold, including the privatisation of state assets, liberalisation of capital controls, tax reforms and pension system development. President Nazarbayev was re-elected by a 95.5% majority for a new five year term in elections which took place in early April 2011. In May 2007, Kazakhstan's parliament voted to amend Kazakhstan's constitution to allow President Nazarbayev to run in an unlimited number of elections. While this amendment will allow President Nazarbayev to seek re-election at the end of his current term, there is no guarantee that he will remain in office. President Nazarbayev is also the father-in-law of Timur Kulibayev, a shareholder in KSS Global, which is one of the largest holders of the Partnership's GDRs.

Should President Nazarbayev fail to complete his current term of office for whatever reason or should a new President of Kazakhstan succeed him without a clear mandate, Kazakhstan's political situation and economy could become unstable and the investment climate in Kazakhstan could deteriorate, which could have an adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

***All the Group's assets are located in Kazakhstan and the Group is therefore susceptible to country-specific risk factors, such as political, social and economic instability.***

The Group is subject to Kazakhstan-specific risks, including, but not limited to, local currency devaluation, civil disturbances, changes in exchange controls or lack of availability of hard currency, changes in energy prices, changes with respect to taxes and royalties, withholding taxes on distributions to foreign investors, changes in anti-monopoly legislation, nationalisation or expropriation of property, and interruption or blockage of hydrocarbons or other strategic materials exports. The occurrence of any of these factors could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

***The Group is exposed to the risk of adverse sovereign action by the Kazakh Government.***

The oil and gas industry is central to Kazakhstan's economy and its future prospects for development, and thus can be expected to be the focus of continuing attention and debate. In similar circumstances in other developing countries, petroleum companies have faced the risks of expropriation or renationalisation, breach or abrogation of project agreements, application to such companies of laws and regulations from which they were intended to be exempt, denials of required permits and approvals, increases in royalty rates and taxes that were intended to be stable, application of exchange or capital controls, and other risks.

The Kazakh Government may attempt to modify or remove the stability of the tax regime of the PSA which could result in negative tax consequences. In January 2010, President Nazarbayev of Kazakhstan spoke out against tax stabilisation clauses stating that parties operating in Kazakhstan should work under the same legislation. Furthermore, the Minister of Energy and Natural Resources (who at that time was the head of the Competent Authority), Sauat Mynbayev, has publicly warned

foreign companies that they should prepare themselves for losing their exemption from domestic taxation. Moreover, the New Subsoil Law came into force on 7 July 2010 and the application of this law is relatively new. Any complaints by the Kazakh Government or the invocation or application by the Kazakh Government of the New Subsoil Law in relation to the Chinarevskoye Field may have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

***The Kazakh Government holds a pre-emption right in respect of, and the Competent Authority must consent to, any transfer of subsurface use rights or direct or indirect interests in an entity holding subsoil use rights in Kazakhstan.***

Article 12 of the New Subsoil Law provides that the Kazakh Government has a pre-emptive right to purchase subsoil use rights or indirect or direct interests in companies having subsoil use rights for sale.

This pre-emptive right permits the Kazakh Government to purchase any such subsoil use rights or equity interests (including any securities convertible into equity interests) being offered for sale or otherwise being alienated, including any issuance of new shares, on terms no less favourable than those offered by the potential purchaser or transferee.

In addition to this pre-emption right, pursuant to Article 36 of the New Subsoil Law, any transfer or pledge of subsoil use rights, including transfers of direct and indirect equity interests in a company holding a subsoil use right requires the consent of the Competent Authority. The Competent Authority may terminate a subsoil use contract if a transaction occurs in violation of this law.

These provisions apply to Kazakh and overseas entities whose main activity relates to subsoil use in Kazakhstan. However, because the New Subsoil Law does not specify criteria for the determination of a company's main activity for the purpose of Article 36 of the Subsoil Law and there is no precedent, it is not entirely clear how this law will be applied and interpreted.

In the event that the Kazakh Government exercises its pre-emption right or refuses to consent to any transfer of assets or equity interests within or to the Group, such exercise or refusal could have a material adverse effect on the Group. However, this pre-emptive right has been waived by the Kazakh Government and consent obtained from the Competent Authority in connection with the possible premium listing.

Any future issue of equity in the Group, including any issue of debt securities convertible into equity in the Group, would however be subject to the pre-emptive right of the Kazakh Government and the Competent Authority's consent and a further waiver and consent would have to be obtained. Whilst such waivers and consents have been obtained in the past, there can be no assurance that a waiver or consent will be obtained in respect of any future issue of equity. If the Kazakh Government seeks to exercise its pre-emption right in respect of future issues of equity securities, the Group would either be unable (and would have no obligation) to issue such equity securities or would have to obtain the approval of its shareholders for the disapplication of their statutory pre-emption rights in order to issue such equity securities to the Kazakh Government. If the Kazakh Government seeks to exercise its pre-emption right in respect of future issues of equity securities and the Group was not able to obtain such shareholder approval, or if the Competent Authority does not provide its consent in respect of such issue, the Group would be unable to proceed with the issue of equity securities and the Group would instead need to either seek alternative sources of financing or otherwise potentially not undertake the business activities for which such additional equity financing was sought. See "*—The Group's leverage may, among other things, make it difficult for it to operate its business and may limit its operational flexibility.*"

***The laws and regulations of Kazakhstan are developing and uncertain. Any changes in laws, regulations and permit requirements to which the Group is subject could require it to make substantial expenditures or subject the Group to material liabilities or other sanctions.***

The laws and regulations of Kazakhstan relating to foreign investment, subsoil use, licensing, permits, companies, procurement, customs, currency, capital markets, pensions, insurance, banking, taxation and competition are still developing and are uncertain. Many such laws provide regulators and officials with substantial discretion in their application, interpretation and enforcement. Furthermore, the judicial system may not be fully independent of social, economic and political forces. Court decisions can be difficult to predict and enforce, and the Group's best efforts to comply with applicable law may not always result in compliance as determined by regulators and/or the courts. Furthermore, because the New Subsoil Law does not define the course of action available to the Kazakh Government by reference to the gravity of a breach, a minor breach could lead to severe consequences, such as suspensions or termination of subsoil user rights. Because the New Subsoil Law is relatively new, there are no precedents that would make the consequences of a breach more predictable. The Group is required to obtain, on an on-going basis, all permits as are required by the laws of Kazakhstan. Failure to obtain all such permits could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

Given Kazakhstan's legislative, judicial and administrative history, it is not possible to predict the effect of current and future legislation on the Group's business. Moreover, the New Subsoil Law came into force on 7 July 2010 and the application of

this law is largely untested. The on-going rights of the Group under the PSA, the Licence, the Subsoil Use Agreements and other licences, approvals and permits (if applicable) and other agreements may be susceptible to revision or cancellation, and legal redress in relation to such revocation or cancellation may be uncertain. Any changes to the rights of the Group under the PSA, the Licence, the Subsoil Use Agreements and other licences, approvals and permits (and any other relevant legislative changes) could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations. See "*Regulation in Kazakhstan—Regulation of subsoil use rights in Kazakhstan*" for a summary of the New Subsoil Law, the rights of the Competent Authority thereunder and the impact of a breach of such law.

**Risks Related to the Notes and the Guarantees**

***The Issuer is a newly formed company with no revenue generating operations of its own.***

The Issuer is a newly formed company that has no revenue-generating operations of its own. The Issuer conducts no business or operations and has no significant assets, other than the Proceeds Loan. The Issuer's ability to service its indebtedness, including the Notes, is entirely dependent upon the receipt of funds under the terms of the Proceeds Loan or otherwise.

Following the Substitution, Zhaikmunai LLP will assume all of the obligations of the Issuer under the Notes and will become the primary obligor of the indebtedness represented by the Notes. The ability of Zhaikmunai LLP to make payments to the holders of the Notes will depend on its cash flows and earnings which, in turn, may be affected by all of the factors discussed in these "*Risk Factors*".

In addition, the ability of members of the Group to make payments, loans or advances or pay dividends may be limited by the laws of the relevant jurisdictions in which members of the Group are organised or located. Any of the restrictions or limitations described above could adversely affect the ability of Zhaikmunai LLP to service its obligations to the Issuer in respect of the Proceeds Loan or by the Guarantors to honour their obligations under the Guarantees.

***Claims of secured creditors of the Issuer or the Guarantors will have priority with respect to their security over the claims of creditors who do not have the benefit of such security, such as the holders of the Notes.***

The Notes will not benefit from any security. Claims of the creditors of the Issuer or the Guarantors that are secured by property or other assets will effectively have priority with respect to such property and other assets securing their indebtedness over the claims of the holders of the Notes to the extent of the value of such property and other assets (other than to the extent such property and other assets also secure the Notes and/or the Guarantees on an equal and rateable basis or priority basis).

In the event of bankruptcy, liquidation, reorganisation or other winding up of the Issuer or the Guarantors or upon a default in payment with respect to, or the acceleration of, any secured indebtedness, the property or other assets of the Issuer and the Guarantors that secure such indebtedness will be available to pay obligations on the Notes and the Guarantees only after all such indebtedness has been repaid in full from such property and other assets. In addition, in the event of bankruptcy, liquidation, reorganisation or other winding up of an Unrestricted Subsidiary, the assets of such Unrestricted Subsidiary will be available to pay obligations on the Notes only after all obligations of such Unrestricted Subsidiary have been repaid in full from such assets. There may not be sufficient assets remaining to pay amounts due on any or all of the Notes and the Guarantees then outstanding.

As a result, holders of Notes may receive less, rateably, than holders of secured indebtedness.

In particular, the Indenture will permit the Issuer to secure on a first ranking basis a significant amount of additional indebtedness that we may seek to incur to finance the construction of the Group's third gas treatment unit (see "*Business—Production and Facilities—Gas Treatment Facility*"). Management currently estimates that the total cost of this project will not exceed U.S.$500 million.

As of 30 September 2013, on a *pro forma* basis after giving effect to this Offering, the Group would have had U.S.$933.7 million of outstanding indebtedness. See "*Capitalisation*". The Group will be permitted, however, subject to certain conditions, to incur additional indebtedness in the future, including additional indebtedness secured by property and other assets on a basis prior to the Notes according to the terms of the Indenture.

***The terms of our indebtedness will restrict the Group's operating flexibility.***

Among other things, the indentures for the 2015 Bonds and the 2019 Bonds restrict, and the Indenture will restrict, the ability of Nostrum Oil & Gas LP and its subsidiaries to:

- incur or guarantee additional indebtedness;

- pay dividends, make distributions or redeem or repurchase their securities;
- make investments;
- grant security interests or create liens on their assets;
- enter into transactions with their affiliates other than on an arm's-length basis;
- transfer or sell assets or shares in subsidiaries;
- guarantee future debt; or
- engage in mergers or consolidations.

These covenants could limit the ability of the Group to finance their future operations and capital needs and their ability to pursue acquisitions and other business activities that may be in their interest.

If Nostrum Oil & Gas LP and its subsidiaries fail to comply with any of these covenants, they will be in default under the Indenture, and the Trustee or holders of the Notes could declare the principal and accrued interest on the Notes due and payable, after any applicable cure period. These restrictions could materially adversely affect the ability of Nostrum Oil & Gas LP's and its subsidiaries to finance future operations or capital needs or engage in other business activities that may be in their best interest. See "*Description of Notes—Certain covenants*" and "*Description of Significant Indebtedness and Certain Financial Arrangements*".

***The Issuer may not be able to obtain enough funds to repurchase the Notes if a change of control takes place.***

Upon a change of control (as defined in the Indenture), the Issuer may be required to purchase all or a part of the Notes then outstanding at 101% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, as applicable, to the date of repurchase. If a change of control were to occur, the Issuer cannot assure you that it will have sufficient funds to pay the purchase price of the outstanding Notes, and the Issuer expects that third party financing would be required to do so. The Issuer cannot assure you that it will be able to obtain financing on favourable terms, if at all. In addition our other indebtedness may contain restrictions on repayment requirements with respect to certain events or transactions that could constitute a change of control under the Indenture. The inability to purchase the tendered Notes would constitute an event of default under the Indenture.

The change of control provisions contained in the Indenture may not protect holders of the Notes in the event of highly leveraged transactions, including reorganisations, restructurings or mergers, because these transactions may not involve a change in voting power or beneficial ownership of the magnitude required to trigger the change of control provisions. See "*Description of Notes—Change of Control*".

***The insolvency laws of the Netherlands, Kazakhstan, the Isle of Man and the BVI may not be as favourable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes.***

In the event of insolvency of the Issuer or any of the Guarantors, insolvency proceedings should typically be initiated in the jurisdiction of incorporation or formation of the relevant entity and insolvency proceedings should be governed by the law of such relevant jurisdiction subject to the conflict of laws position in relevant jurisdictions. The insolvency laws of the Netherlands, Kazakhstan, the Isle of Man and the BVI may not be as favourable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar. A brief description of the insolvency laws in the Netherlands, Kazakhstan, the Isle of Man and the BVI follows for information purposes only and does not address all insolvency law considerations that may be relevant to creditors. Similar considerations may be applicable to Probel Capital Management UK Limited and Probel Capital Management N.V. under their respective jurisdictions.

*The Netherlands*

The Issuer and four of the Guarantors, Zhaikmunai International B.V., Zhaikmunai Netherlands B.V., Zhaikmunai Finance B.V. and Nostrum Oil Coöperatief U.A., are incorporated in the Netherlands. Any insolvency proceedings relating to either of such companies would likely be based on Dutch insolvency law. Under certain circumstances, bankruptcy proceedings may also be opened in the Netherlands in accordance with Dutch law over the assets of companies that are not established under Dutch law (for example, if the centre of main interests or the business operations of such company is within the Netherlands). In addition, as a member state of the European Union, a Dutch company will be subject to the regulations of the European Union on the jurisdiction of insolvency proceedings. There are two applicable corporate insolvency regimes under Dutch law: (a) moratorium of payments (*surséance van betaling*), which is intended to facilitate the reorganisation of the company's debts and enable it to continue as a going concern and (b) bankruptcy (*faillissement*), which is primarily

designed to liquidate assets and distribute the proceeds thereof to its creditors. In practice, a suspension of payments often results in bankruptcy.

Under Dutch law, as soon as a debtor is declared bankrupt, all pending executions of judgments against such debtor will be terminated by operation of law (other than with respect to secured creditors and preferential creditors). Litigation pending in relation to a claim against the bankruptcy estate on the date of the bankruptcy order is automatically stayed and attachments become part of the general attachment caused by the bankruptcy.

*Kazakhstan*

Zhaikmunai LLP and Condensate-Holding LLP are organised in Kazakhstan and are subject to the bankruptcy law of Kazakhstan. Kazakhstan bankruptcy law may prohibit Zhaikmunai LLP and Condensate-Holding LLP from making payments pursuant to their Guarantees under certain circumstances. From the moment bankruptcy proceedings are initiated in court, a Kazakhstan debtor is prohibited from paying any debts outstanding prior to the bankruptcy proceedings, subject to specified exceptions. After the initiation of bankruptcy proceedings, creditors of the debtor may not pursue any legal action to obtain payment to set aside a contract for non-payment or to enforce the creditor's rights against any asset of the debtor except within the scope of the bankruptcy procedure. Contractual provisions, such as those contained in the Guarantees, which would accelerate the payment of the debtor's obligations upon the occurrence of certain bankruptcy events, would accelerate the amount due but each accelerated amount becomes part of the total liabilities within the proper priority class. Further, Kazakhstan bankruptcy law provides, inter alia, that any dispositions of the debtor's property made within the period beginning three years prior to commencement of the bankruptcy proceedings for no consideration or below market value or without sufficient grounds may be clawed back by a Kazakhstan court see "*—Fraudulent transfer, commercial benefit or insolvency related claw-back laws may adversely affect the validity and enforceability of the Guarantees—Kazakhstan*". Since Kazakhstan's courts are not experienced with complex commercial issues, there is no way to predict the outcome of a bankruptcy proceeding.

*Isle of Man*

Nostrum Oil & Gas LP is a limited partnership formed under the laws of the Isle of Man. Nostrum Oil & Gas Group Limited is a limited company incorporated in the Isle of Man and is the general partner of Nostrum Oil & Gas LP. The provisions of Isle of Man companies legislation and winding-up rules relating to the winding-up of companies apply to the winding-up of Isle of Man limited partnerships. The general system and procedures for dealing with corporate insolvency under Isle of Man law are similar to those in England. Proceedings for the winding up of a company or a limited partnership must be instigated before the court. A liquidator will be appointed and the procedure will be subject to the supervision of the court. The assets of the company or limited partnership in liquidation will ordinarily be available to meet the costs of the liquidation and certain debts are given statutory preference such as tax debts. Secured creditors will take priority over unsecured creditors. Once a winding up order has been made no enforcement proceedings shall be commenced or proceeded against the company or limited partnership except with leave of the court and all such actions are thereby stayed. In the context of a winding up which is subject to the supervision of the court, the court has the power to stay or restrain any proceedings against a company or a limited partnership at any time after the presentation of a winding up petition and before a winding up order has been made. In the case of a voluntary winding up, there is no automatic stay of proceedings and proceedings may be commenced or continued against a company or a limited partnership, whether before or after a resolution has been passed, to wind up but the court has the power to order a stay of proceedings on application being made to it.

*BVI*

Claydon Industrial Limited and Jubilata Investments Limited are incorporated and registered in the British Virgin Islands ("**BVI**") and are subject to the insolvency laws of the BVI, including the BVI Insolvency Act, 2003 (the "**IA**"). BVI insolvency law, although based to a significant degree upon English insolvency law, differs from comparable law in the United States or Western Europe. The right of unsecured creditors to *pari passu* distribution of assets of a company in liquidation is subject to the prior ranking of certain preferential creditors, including (subject to a cap) the BVI Government and (subject to a cap) certain unpaid employment obligations. It should be noted that the IA provides a statutory right of insolvency set off, and such protections may operate to the detriment of unsecured creditors. Although the IA anticipates establishing an administration regime, the relevant provisions are not currently in force and administration is therefore not currently available under BVI law. The administration provisions of the legislation will not be brought into effect unless and until a proclamation as to the commencement date for such parts of the IA shall be published in the BVI Gazette. There are no debtor in possession bankruptcy proceedings equivalent to Chapter 11 in the United States.

In the event of the insolvency of Claydon Industrial Limited or Jubilata Investments Limited, the rights of the holders of the Notes may be affected by various insolvency provisions of BVI law, see "*—Fraudulent transfer, commercial benefit or insolvency related claw-back laws may adversely affect the validity and enforceability of the Guarantees—BVI*".

***Fraudulent transfer, commercial benefit or insolvency related claw-back laws may adversely affect the validity and enforceability of the Guarantees.***

*General*

The granting of the Guarantees in favour of the holders of the Notes may be subject to legal challenge and review and are potentially voidable by an insolvency practitioner, or may be otherwise set aside by a court if certain events or circumstances exist or occur, under fraudulent transfer, commercial benefit or other laws, that have been enacted for the protection of creditors or corporate members in the Netherlands, Kazakhstan, the Isle of Man and the BVI, as applicable. These laws, among other things, limit the ability of subsidiaries to guarantee and secure the debt of a related company. Similar considerations may be applicable to Probel Capital Management UK Limited and Probel Capital Management N.V. under their respective jurisdictions. Although laws differ among various jurisdictions, in general, under fraudulent transfer laws, a court could subordinate or a court or a creditor could void a Guarantee if it found that the Guarantor granting such Guarantee:

- knew or should have known that the transaction was to the detriment of the creditors;
- intended to hinder, delay or defraud creditors or preferred one creditor over another; or
- did not receive fair consideration or reasonably equivalent value for incurring such indebtedness and such Guarantor (i) was insolvent or rendered insolvent because it incurred such indebtedness, (ii) was engaged or about to engage in a business or transaction for which its remaining assets constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay them as they mature.

The measure of insolvency for purposes of fraudulent transfer laws varies, depending on the law applied. Generally, however, an entity would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts and liabilities, including contingent liabilities, as they become absolute and mature; or
- it could not or would not pay its debts as they become due.

If a court or a creditor were to find that the granting of a Guarantee was a fraudulent transfer, the court or a creditor could void or declare unenforceable the payment obligations under such Guarantee, or subordinate such Guarantee to presently existing and future indebtedness of such Guarantor (including trade payables) or require the holders of the Notes to repay any amounts received with respect to such Guarantee.

In addition, the Netherlands has certain requirements relating to sufficient commercial benefit and/or compliance with corporate objects, the violation of which may result in a company (and any bankruptcy receiver) contesting the enforcement of a guarantee.

A brief description of the fraudulent transfer laws, commercial benefit and insolvency related claw-back laws in the Netherlands, Kazakhstan, the Isle of Man and the BVI follows for informational purposes only and does not address all fraudulent transfer, commercial benefit and insolvency related claw-back laws considerations that may be relevant to creditors.

*The Netherlands*

To the extent that Dutch law applies, a guarantee granted by a legal entity may, under certain circumstances, be nullified by any of its creditors, if (i) the guarantee was granted without a prior existing legal obligation to do so (*onverplicht*), (ii) the creditor concerned was prejudiced as a consequence of the guarantee and (iii) at the time the guarantee was granted both the legal entity and, unless the guarantee was granted for no consideration (*om niet*), the beneficiary of the guarantee knew or should have known that one or more of the entities' creditors (existing or future) would be prejudiced. Also to the extent that Dutch insolvency law applies, a guarantee may be nullified by the receiver (*curator*) on behalf of and for the benefit of all creditors of the insolvent debtor. The foregoing requirements apply *mutatis mutandis* for such actions. In addition, the receiver in bankruptcy proceedings may challenge the guarantee if it was granted on the basis of a prior existing legal obligation to do so (*verplichte rechtshandeling*), if (i) the guarantee was granted at a time that the beneficiary knew that a request for bankruptcy had been filed or (ii) the granting of such guarantee was the result of a deliberation between the debtor and the beneficiary with a view to give preference to the latter over the debtor's other creditors. The above applies to any legal act performed by the debtor and therefore also for the granting of a guarantee by the debtor. Consequently, the validity of any Dutch guarantees entered into by the debtor may be challenged and it is possible that such challenge would be successful.

In addition, if a Dutch company grants a guarantee and the granting of the guarantee is not in the company's corporate interest, the guarantee may be nullified by the Dutch company, the Dutch company, acting together with its administrator or its receiver and, as a consequence, not be valid, binding and enforceable against it. In determining whether the granting of such guarantee is in the interest of the relevant company, the Dutch Courts would consider the text of the objects clause in the articles of association of the company, whether the company derives, irrespective of the wording of the objects clause, certain commercial benefits from the transaction in respect of which the guarantee was granted and the balance between the risk that the company is assuming and the benefit it derives from such transaction.

If it is determined that there are no, or insufficient, commercial benefits from the transactions for the company that grants the guarantee and/or the objects clause of the company was transgressed, then such company (and any bankruptcy receiver) may challenge the guarantee, and it is possible that such challenge would be successful. Such benefit may, according to Dutch case law, consist of an indirect benefit derived by the company as a consequence of the interdependence of such company with the group of companies to which it belongs. In addition, it is relevant whether, as a consequence of the granting of the guarantee, the continuity of such company would foreseeably be endangered by the granting of such guarantee. It remains possible that even where such strong financial and commercial interdependence exists, the transaction may be declared void if it appears that the granting of the guarantee cannot serve the realisation of the relevant company's objects or where it is determined that there is a material imbalance, to the disadvantage of the company, between the commercial benefit on the one hand and the risks on the other hand.

Payment pursuant to a guarantee may also be withheld under the doctrines of reasonableness and fairness (*redelijkheid en billijkheid*), force majeure (*niet toerekenbare tekortkoming*), unforeseen circumstances (*onvoorziene omstandigheden*), suspension (*opschorting*) of the performance of obligations, dissolution (*ontbinding*) of contract, set-off (*verrekening*) and other general defenses available to debtors under Dutch law in respect of the validity, binding effect and enforceability of such guarantee. Other general defenses include claims that a guarantee should be avoided because it was entered into through undue influence (*misbruik van omstandigheden*), fraud (*bedrog*), duress (*bedreiging*) or error (*dwaling*).

Under Dutch law, any guarantee given or liability accepted by a Dutch company or any of its subsidiaries (including, possibly, any foreign subsidiaries) with a view to (*met het oogmerk*) the acquisition by any party of shares in the relevant company's share capital (or the refinancing thereof) violates Dutch law and will most likely be void. The relevant Guarantees are subject to limitations accordingly.

*Kazakhstan*

Under Kazakhstan laws, a transaction may be invalidated in the following circumstances:

- it has been executed after the initiation of the bankruptcy procedure if it results in preferential satisfaction of claims of some creditors over the others; or
- it was executed within three years prior to the initiation of the rehabilitation or bankruptcy procedure, under which a counterparty had received property without consideration, or for a consideration below market value, or the transaction was made without sufficient grounds, and it adversely affects the interests of the creditors of the debtor in each case.

In addition, a rehabilitation administrator and liquidator is obliged to demand the return of the debtor's property transferred within the three years prior to the initiation of rehabilitation or bankruptcy proceedings where such transfer was made to satisfy an obligation prior to its maturity and adversely affected the interests of creditors.

A rehabilitation administrator may also reject the performance of contracts which have not been fully performed by the parties in one of the following circumstances: (i) where performance would cause losses for the debtor, (ii) if a contract contains unusually burdensome provisions, (iii) is long term (i.e. more than one year), or (iv) where it might adversely affect the interests of other creditors.

*Isle of Man*

Under Isle of Man insolvency laws, statutory provision is made for the avoidance or setting aside of transactions, including the granting of guarantees, in certain circumstances in the context of insolvency. However, protection is afforded to persons dealing in good faith and for valuable consideration.

There are provisions under Isle of Man insolvency law which deal with "fraudulent preferences". The effect of these provisions is that if a company is placed into liquidation within four months of a transaction which has been undertaken with a view to giving a creditor preference over others, the transaction will be deemed fraudulent, save that this will not affect the rights of a party who has dealt with the company in good faith and for valuable consideration.

Isle of Man insolvency law also affords protection in relation to bona fide transactions without notice and provides *inter alia* that nothing in the relevant legislation shall invalidate in the case of insolvency:

- any payment by the bankrupt to any of his creditors;
- any payment or deliveries to the bankrupt;
- any conveyance or assignment by the bankrupt for valuable consideration;
- any contract, dealing or transaction by or with the bankrupt for valuable consideration; *provided that* both the following conditions are complied with, namely:
- the payment, delivery, conveyance, assignment, contract, dealing or transaction as the case may be takes place before the date of the order of adjudication; and
- the person (other than the debtor) to, by or with whom the payment, delivery, conveyance, assignment, contract, dealing or transaction was made, executed or entered into has not at the time of the payment, delivery, conveyance, assignment, contract, dealing or transaction received notice of any available act of bankruptcy committed by the bankrupt before that time.

Isle of Man insolvency law makes further provision for the avoidance of transactions where insolvency occurs within the period of two and ten years of the date of a relevant transaction. In particular:

"Any settlement of property, not being a settlement made in favour of a purchaser or encumbrancer in good faith and for valuable consideration shall if the settlor becomes bankrupt within two years after the date of the settlement be void…and shall if the settlor becomes bankrupt at any subsequent time within ten years after the date of the settlement be void unless the parties claiming under the settlement can prove that the settlor was at the time of making the settlement able to pay all his debts without the aid of the property comprised in the settlement and that the interest of the settlor in such a property had passed to the trustee of such settlement on the execution thereof."

Again, the rights of a person who dealt in good faith and for valuable consideration will not be affected.

Isle of Man law makes further general provision whereby transactions undertaken with fraudulent or improper intentions may be set aside. Under applicable legislation, any fraudulent assignments or transfers of a debtor's goods or effects shall be void and of no effect against his just creditors, any custom or practice to the contrary notwithstanding. Therefore, a transfer which is undertaken fraudulently or with dishonest intent will be void as against creditors when a debtor is in a state of insolvency, or when the effect of the transfer is to leave the debtor without the means of paying his present actual or ascertainable debts.

*BVI*

In the event of the insolvency of a BVI entity the following insolvency provisions of BVI law may affect the rights of the holders of the Notes to enforce the Guarantees.

Under section 245 of the IA, a transaction entered into by a BVI company, if it is entered into at a time when the company is insolvent, or it causes the company to become insolvent (an "insolvency transaction"), and which has the effect of putting the creditor in a better position than it would have been, will be deemed an unfair preference and void if within six months (or two years in the case of a connected person) a petition is presented to the courts for the winding-up of that company (an "unfair preference"). A transaction is not an unfair preference if the transaction took place in the ordinary course of business. This provision applies regardless of whether the payment or transfer is made for value or at an undervalue and that the suspect period is fixed.

Under section 246 of the IA, the making of a gift or the entering into of a transaction for no consideration or where the value of the consideration for the transaction, in money or money's worth, is significantly less than the value in money or money's worth, of the consideration provided by the company will (if it is an insolvency transaction) be deemed an undervalue transaction and void if within six months (or two years in the case of a connected person) a petition is presented to the courts for the winding-up of the company. A company does not enter into a transaction at undervalue if it is entered into in good faith and for the purposes of business and at the time the transaction was entered into, there were reasonable grounds for believing the transaction would benefit the company.

Under section 248 of the IA, an insolvency transaction entered into by a BVI company for, or involving the provision of, credit to the company, may be regarded as an extortionate credit transaction if, having regard to the risk accepted by the person providing the credit, the terms of the transaction are or were such to require grossly exorbitant payments to be made in respect of the provision of the credit, or the transaction otherwise grossly contravenes ordinary principles of fair trading and such transaction takes place within six months (or two years in the case of a connected person) of a petition being presented to the courts for the winding-up of the company.

***Enforcing your rights as a holder of the Notes or under the Guarantees across multiple jurisdictions may prove difficult.***

The Issuer is organised under the laws of the Netherlands and the Guarantors are organised under the laws of the Netherlands, Kazakhstan, the Isle of Man, the BVI, England and Wales and Belgium. In the event of bankruptcy, insolvency, administration or similar event, proceedings could be initiated in any of these jurisdictions. Your rights under the Notes and the Guarantees are likely to be subject to insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex proceedings.

The insolvency, administration and other laws of the jurisdiction of organisation of the Issuer and the Guarantors may be materially different from, or conflict with, each other and with the laws of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest, duration of proceeding and preference periods. The application of these laws, and any conflict between them, could call into question whether, and to what extent, the laws of any particular jurisdiction should apply, adversely affect your ability to enforce your rights under the Guarantees in these jurisdictions or limit any amounts that you may receive. See "*—The insolvency laws of the Netherlands, Kazakhstan, the Isle of Man and the BVI may not be as favourable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes*".

***U.S. Foreign Account Tax Compliance Withholding***

The U.S. Foreign Account Tax Compliance Act ("**FATCA**") imposes a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to certain payments to: (a) non-U.S. financial institutions that do not enter into an agreement with the U.S. Internal Revenue Service (the "**IRS**") to provide the IRS with certain information in respect of their account holders and investors or are not otherwise exempt from or in deemed compliance with FATCA; and (b) any investors (unless otherwise exempt from FATCA) that do not provide information sufficient to determine whether the investors are U.S. persons or should otherwise be treated as holding a "United States Account" of the Issuer.

The new reporting and withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of Notes if the Issuer is classified as a financial institution under FATCA and (a) the Notes are materially modified on or after the "grandfathering date," which is the later of (x) 1 July 2014 and (y) the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register or (b) additional Notes are issued on or after the grandfathering date other than pursuant to a "qualified reopening" of the Notes issued hereunder for U.S. federal income tax purposes.

If an amount in respect of such withholding tax were to be deducted or withheld from interest, principal or other payments made in respect of the Notes, then neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

***You may not be able to recover in civil proceedings for U.S. securities law violations.***

The Issuer and the Guarantors are entities organised outside the United States. All of the Issuer's and the Guarantors' directors and executive officers are non-residents of the United States and all of the assets of the Issuer and its Guarantors as well as the assets of our directors and executive officers are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon us or upon our and the Guarantors' directors and executive officers or to enforce against the Issuer or the Guarantors judgments obtained in U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States. See "*Enforceability of Judgments*".

***Recent experience has shown that credit ratings do not reflect all risks.***

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this Offering Memorandum, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

***There is no established trading market for the Notes and no assurance that holders of the Notes will be able to sell their Notes.***

There is no existing market for the Notes. The Issuer has made an application to list the Notes on the Official List of the Irish Stock Exchange and for the Notes to be admitted to trading on the Global Exchange Market in accordance with the rules of that exchange but cannot guarantee the liquidity of any market that may develop for the Notes, your ability to sell the Notes or the price at which you may be able to sell the Notes. Liquidity and future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, results of operations and the market for similar securities. The Initial Purchasers of the Notes have informed the Issuer that they intend to make a market in the Notes after completing this Offering. They are not, however, obligated to do so. Any market-making that is commenced may be halted at any time. In addition, changes in the overall market for high yield securities and changes in our financial performance in the markets in which we operate may adversely affect the liquidity of any trading market in the Notes that does develop and any market price quote for the Notes. As a result, we cannot assure you that an active trading market will actually develop for the Notes.

Historically, the markets for non-investment grade debt such as the Notes have been subject to disruptions that have caused substantial volatility in their prices. Any market for the Notes may be subject to similar disruptions. Any disruptions may affect any liquidity and trading of the Notes independently of our financial performance and prospects and may have an adverse effect on the holders of the Notes.

***Transfer of the Notes will be subject to certain restrictions.***

The Issuer has not agreed to register, and does not intend to register, the Notes under the Securities Act or any U.S. state securities laws. You may not offer or sell the Notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities law. The Issuer has not undertaken to register the Notes or to effect any exchange offer for the Notes in the future. Furthermore, the Issuer has not registered the Notes under any other country's securities laws. You should read the discussion under the heading *"Notice to Prospective Investors"* and "*Transfer Restrictions*" for further information about these transfer restrictions. It is your obligation to ensure that your offers and sales of Notes within the United States and other countries comply with any applicable securities law.

The Notes will initially be held in book-entry form and, therefore, you must rely on the procedures of the relevant clearing system to exercise any rights or remedies.

Unless and until definitive Notes are issued in exchange for book-entry interests in the Notes, owners of the book entry interests will not be considered holders of the Notes. Instead, Cede & Co., as the nominee of DTC will be deemed the sole holder of the Notes.

***Book-entry interests in the Notes are subject to the procedures of DTC and its participants and holders of such interests will not have the direct right to act upon solicitations or consent or other actions requested from the holders of the Notes.***

Unless and until Notes in definitive registered form, or definitive registered Notes, are issued in exchange for book-entry interests, owners of book-entry interests will not be considered owners or holders of the Notes. DTC (or its nominee) will be the sole holder of the global Notes representing the Notes. After payment to DTC, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of DTC, and if you are not a participant in DTC, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder under the Indenture. See "*Book-Entry, Delivery and Form*".

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from DTC. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through DTC. The Issuer cannot assure you that the procedures to be implemented through DTC will be adequate to ensure the timely exercise of rights under the Notes. See "*Book-Entry, Delivery and Form*".

***You may face foreign exchange risks by investing in the Notes.***

The Notes are denominated and payable in dollars. If you measure your investment returns by reference to another currency, an investment in the Notes entails foreign exchange related risks due to, among other factors, possible significant changes in

the value of the dollar relative to your reference currency. Such currency fluctuations could result from economic, political and other factors over which we have no control. Depreciation of the dollar against your reference currency could cause a decrease in your effective yield from the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into your reference currency. There may also be tax consequences for you as a result of any foreign exchange gains or losses resulting from investment in the Notes.

## USE OF PROCEEDS

The Issuer expects to receive proceeds of U.S.$400 million from the Offering. The Issuer intends to lend the proceeds from this Offering to Zhaikmunai LLP, which will be used for expenses associated with the Offering of approximately U.S.$10 million and general corporate purposes in connection with the Chinarevskoye production sharing agreement, including refinancing the remaining U.S.$92,505,000 of the 2015 Bonds.

# THE ISSUER

## Incorporation and Status

The Issuer is a finance company incorporated on 15 January 2014 as a private company with limited liability incorporated under the laws of the Netherlands. The Issuer is registered in the Trade Register of the Chamber of Commerce under the number 59737425. The articles of incorporation of the Issuer are available for inspection at the Issuer's registered office located at Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands (Tel: +31 20 737 2288).

Prior to this Offering, the Issuer had no material assets, liabilities or loan capital outstanding and no contingent liabilities. Upon completion of this Offering, the only significant asset of the Issuer will be the Proceeds Loan. The Issuer's material liabilities will be the Notes and its guarantee of the Existing Bonds. The Issuer has no subsidiaries. The Issuer's ability to service its indebtedness, including the Notes, is entirely dependent upon the receipt of funds from Zhaikmunai LLP under the terms of the Proceeds Loan or otherwise. See "*Risk Factors—Risks Related to the Notes and the Guarantees—The Issuer is a newly formed company with no revenue generating operations of its own*".

## Objects

The Issuer will be managed by its directors in accordance with those articles and with the provisions of the laws of the Netherlands.

The deed of incorporation of the Issuer provides that the objects of the Issuer are as follows:

- to finance group companies and for such purpose borrow moneys through bond issues, bank financing, or in any other way whatsoever;
- to furnish guarantees, provide security, warrant performance or in any other way assume liability, whether jointly or severally or otherwise, for or in respect of obligations of group companies and third parties; and
- to do anything which is, in the widest sense of the word, connected with or may be conductive to the attainment of these objects.

## Share Capital

The Issuer's issued share capital is U.S.$2,726,000 divided into ordinary registered shares with a par value U.S.$1 each. The share capital is fully paid up. The sole shareholder of the Issuer's share capital is Zhaikmunai Netherlands B.V.

## Directors

The Issuer has a board of directors, currently consisting of the following two directors (whose business address is at the registered office of the Issuer as set forth above):

- Jan-Ru Muller was appointed as managing director of the Issuer on 15 January 2014. His business address is Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands.
- Thomas Hartnett was appointed as managing director of the Issuer on 15 January 2014. His business address is Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands.

Save as set out in "*Related Parties and Related Party Transactions—Relationship Agreement with Thyler, the General Partner and Claremont*", "*Related Parties and Related Party Transactions—Services Agreements*" and "*Related Parties and Related Party Transactions—Other*" no director of the Issuer has, or has had, any interest in any transaction related to the Issuer which is or was unusual in its nature or conditions or which is, or was, significant in relation to the Issuer's business, and which was effected by Nostrum Oil & Gas LP or any of its subsidiaries during the current or immediately preceding financial year, or during any earlier financial year and remains in any respect outstanding or unperformed.

Save as set out above, no director has any potential conflict of interest between his duties to the Issuer and his private interests or other duties.

## CAPITALISATION

The following table sets forth the consolidated cash and cash equivalents and capitalisation of the Group as at 30 September 2013. The historical consolidated financial information has been derived from the unaudited interim condensed consolidated financial statements as at and for the nine months ended 30 September 2013 prepared in accordance with IFRS included elsewhere in this Offering Memorandum.

This table should be read in conjunction with "*Use of Proceeds*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Description of Significant Indebtedness*" and the unaudited interim condensed consolidated financial statements of Group as at and for the nine months ended 30 September 2013, the audited consolidated financial statements as at and for the years ended 31 December 2012, 2011 and 2010 and, in each case, the accompanying notes appearing elsewhere in this Offering Memorandum.

| | As at 30 September 2013 | | |
|---|---|---|---|
| | **Historical** | **Adjustments** | **As Adjusted** |
| | | *(U.S.$ thousands)* | |
| **Cash and cash equivalents** | **159,316** | **288,267** | **447,583** |
| **Existing debt:** | | | |
| 2015 Bonds[1] | 92,505 | (92,505) | — |
| 2019 Bonds[2] | 560,000 | — | 560,000 |
| Current portion of long-term debt | 19,462 | (4,371) | 15,091 |
| Capitalized transaction costs | (32,928) | 1,500 | (31,428) |
| **Debt to be incurred in connection with the Offering:** | | | |
| Notes offered hereby[3] | — | 400,000 | 400,000 |
| Capitalized transaction costs | — | (10,000) | (10,000) |
| **Total debt** | **639,039** | **294,624** | **933,663** |
| **Partnership equity and capital reserves** | **780,832** | **(6,357)** | **774,475** |
| **Capitalisation** | **1,419,871** | **288,267** | **1,708,138** |

(1) The 2015 Bonds bear interest at the rate of 10.50% per year and mature on 19 October 2015.

(2) The 2019 Bonds bear interest at the rate of 7.125% per year and mature on 13 November 2019.

The Issuer expects to receive proceeds of U.S.$400 million from the Offering. The Issuer intends to lend the proceeds from this Offering to Zhaikmunai LLP, which will be used for expenses associated with the Offering of approximately U.S.$10 million and general corporate purposes in connection with the Chinarevskoye production sharing agreement, including refinancing the remaining U.S.$92,505,000 of the 2015 Bonds.

Between 30 September 2013 and the date of this Offering Memorandum, the Group has purchased approximately 619,027 GDRs of Nostrum Oil & Gas LP for consideration of U.S.$7,256,821.16. Apart from this factor, there have been no material changes to the Group's capitalisation since 30 September 2013.

## SELECTED HISTORICAL FINANCIAL INFORMATION

Potential investors should read the following selected consolidated financial information in conjunction with "*Use of Proceeds*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Description of Significant Indebtedness*" and the audited consolidated financial statements, unaudited interim condensed consolidated financial statements and the accompanying notes appearing elsewhere in this Offering Memorandum.

### Consolidated Income Statement

| | Nine months ended 30 September | | Year ended 31 December | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2012 | 2011 | 2010 |
| | | | *(U.S.$ thousands)* | | |
| **Revenue** | | | | | |
| Revenue from export sales | 565,408 | 442,924 | 630,412 | 284,548 | 172,102 |
| Revenue from domestic sales | 91,782 | 80,324 | 106,653 | 16,289 | 6,057 |
| **Total** | **657,190** | **523,248** | **737,065** | **300,837** | **178,159** |
| Costs of sales | (206,544) | (155,114) | (238,224) | (70,805) | (53,860) |
| **Gross profit** | **450,646** | **368,134** | **498,841** | **230,032** | **124,299** |
| General and administrative expenses[(1)] | (48,644) | (54,221) | (65,209) | (39,462) | (28,066) |
| Selling and transportation expenses | (87,631) | (72,265) | (103,604) | (35,395) | (17,014) |
| Loss on derivative financial instruments | — | — | — | — | (470) |
| Finance costs[(1)] | (32,739) | (25,185) | (46,458) | (1,660) | (20,495) |
| Foreign exchange (loss)/gain, net | (436) | 641 | 776 | (389) | 46 |
| Interest income | 731 | 458 | 698 | 336 | 239 |
| Other expenses | (17,794) | (3,224) | (6,612) | (7,855) | (1,054) |
| Other income | 2,955 | 3,027 | 3,940 | 3,365 | 3,288 |
| **Profit before income tax** | **267,088** | **217,365** | **282,372** | **148,972** | **60,773** |
| Income tax expense | (105,322) | (80,128) | (120,363) | (67,348) | (37,873) |
| **Profit for the period** | **161,766** | **137,237** | **162,009** | **81,624** | **22,900** |
| **Total comprehensive profit for the period** | **161,766** | **137,237** | **162,009** | **81,624** | **22,900** |

(1) Numbers shown here do not correspond to those in the financial statements for the years ended 31 December 2012, 2011 and 2010, and reflect reclassifications made for consistency with the financial statements for the nine months ended the 30 September 2013 and 2012, whereby withholding tax on the interest on the intercompany loans has been reclassified from finance costs to general and administrative expenses.

### Consolidated Balance Sheet

| | As at 30 September | As at 31 December | | |
|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2010 |
| | | *(U.S.$ thousands)* | | |
| **ASSETS** | | | | |
| Exploration and evaluation assets | 17,859 | — | — | — |
| Property, plant and equipment | 1,300,523 | 1,222,665 | 1,120,453 | 955,911 |
| Restricted cash | 4,181 | 3,652 | 3,076 | 2,743 |
| Advances for non-current assets | 9,031 | 25,278 | 3,368 | 6,479 |
| Non-current investments | 30,000 | — | — | — |
| **Non-current assets** | **1,361,594** | **1,251,595** | **1,126,897** | **965,133** |
| Inventories | 21,853 | 24,964 | 14,518 | 5,639 |
| Trade receivables | 123,855 | 54,004 | 12,640 | 1,635 |
| Prepayment and other current assets | 29,558 | 24,369 | 23,279 | 16,759 |
| Income tax prepayment | — | — | 3,453 | 3,200 |
| Short-term investments | 31,500 | 50,000 | — | — |

| | As at 30 September | As at 31 December | | |
|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2010 |
| | | *(U.S.$ thousands)* | | |
| Restricted cash | — | — | — | 1,000 |
| Cash and cash equivalents | 159,316 | 197,730 | 125,393 | 144,201 |
| **Current assets** | **366,082** | **351,067** | **179,283** | **172,434** |
| **Total assets** | **1,727,676** | **1,602,662** | **1,306,180** | **1,137,567** |
| **EQUITY AND LIABILITIES** | | | | |
| Partnership capital | 357,337 | 371,147 | 368,203 | 366,942 |
| Additional paid-in capital | 7,046 | 6,095 | 1,677 | — |
| Retained earnings and reserves | 416,449 | 317,862 | 215,351 | 133,727 |
| **Partnership capital and reserves** | **780,832** | **695,104** | **585,231** | **500,669** |
| Long-term borrowings | 619,577 | 615,742 | 438,082 | 434,931 |
| Abandonment and site restoration liabilities | 12,687 | 11,064 | 8,713 | 4,543 |
| Due to government of Kazakhstan | 6,021 | 6,122 | 6,211 | 6,290 |
| Deferred tax liability | 148,228 | 148,932 | 146,674 | 100,823 |
| **Non-current liabilities**[(1)] | **786,513** | **781,860** | **599,680** | **546,587** |
| Current portion of long-term borrowings | 19,462 | 7,152 | 9,450 | 9,450 |
| Trade payables | 57,702 | 58,390 | 81,914 | 49,213 |
| Employee share option plan | 14,290 | 9,788 | 11,734 | 10,104 |
| Advances received | 1,619 | 60 | 3,154 | 11,693 |
| Income tax payable | 21,913 | 11,762 | — | 372 |
| Current portion of due to government of Kazakhstan | 1,031 | 1,031 | 1,031 | 1,031 |
| Other current liabilities | 44,314 | 37,515 | 13,986 | 8,448 |
| **Current liabilities**[(1)] | **160,331** | **125,698** | **121,269** | **90,311** |
| **Total equity and liabilities** | **1,727,676** | **1,602,662** | **1,306,180** | **1,137,567** |

(1) Numbers shown here do not correspond to those in the financial statements for the years ended 31 December 2012, 2011 and 2010, and for the nine months ended the 30 September 2013 and 2012 due to the reclassification of the employee share option plan liability from non-current liabilities to current liabilities.

**Consolidated Cash Flow Data**

| | Nine month period ended 30 September | | Year ended 31 December | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2012 | 2011 | 2010 |
| | | | *(U.S.$ thousands)* | | |
| Net cash flow from operating activities | 230,446 | 237,689 | 291,825 | 132,223 | 98,955 |
| Net cash used in investing activities | (167,375)[(1)] | (153,452) | (269,674)[(2)] | (103,681) | (132,189) |
| Net cash (used in)/ provided by financing activities | (101,485) | (23,641) | 50,390 | (47,350) | 39,710 |

(1) Net cash used in investing activities includes U.S.$30 million of bank deposits that are not included in cash and cash equivalents at the end of the nine months ended 30 September 2013 due to the long-term nature of the deposits.

(2) Net cash used in investing activities includes U.S.$50 million of bank deposits that are not included in cash and cash equivalents at the end of 2012 due to the long-term nature of the deposits.

**Financial Data**

| | Twelve months period ended 30 September | | Year ended 30 December | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2012 | 2011 | 2010 |
| Total debt (U.S.$ thousands) | 639,039 | 459,058 | 622,894 | 447,532 | 444,381 |
| Net debt[1] (U.S.$ thousands) | 414,042 | 269,542 | 371,512 | 319,063 | 296,437 |
| EBITDA[2] (U.S.$ thousands) | 528,132 | 404,979 | 456,546 | 187,877 | 97,993 |
| **Total debt/EBITDA** | **1.2x** | **1.1x** | **1.4x** | **2.4x** | **4.5x** |
| **Net debt/EBITDA** | **0.8x** | **0.7x** | **0.8x** | **1.7x** | **3.0x** |
| Adjusted interest expenses[3] (U.S.$ thousands) | 74,873 | 47,478 | 70,749 | 51,590 | 70,826 |
| **EBITDA/Adjusted interest expenses** | **7.1x** | **8.5x** | **6.5x** | **3.6x** | **1.4x**[5] |
| Revenue (U.S.$ thousands) | 871,007 | 634,485 | 737,065 | 300,837 | 178,159 |
| **Revenue/Net debt** | **2.1x** | **2.4x** | **2.0x** | **0.9x** | **0.6x** |
| **Total debt/Equity**[4] | **0.8x** | **0.7x** | **0.9x** | **0.8x** | **0.9x** |

(1) Net debt comprises of total debt less cash and cash equivalents, restricted cash and short-term and non-current investments.
(2) See "—*Other Financial and Operating Data*".
(3) Adjusted interest expenses represent interest expense on borrowings on the income statement as well as capitalized interest expense on borrowings.
(4) Equity means partnership equity and capital reserves.
(5) Adjusted interest expense impacted by refinancing through the issuance of the Existing Bonds.

**Other Financial and Operating Data**

| | Nine months ended 30 September | | Year ended 31 December | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2012 | 2011 | 2010 |
| EBIT[1][2] (U.S.$ thousands) | 319,804 | 265,562 | 353,914 | 168,034 | 82,298 |
| EBITDA[1][3] (U.S.$ thousands) | 411,994 | 340,408 | 456,546 | 187,877 | 97,993 |
| Average production (boepd) | 45,414 | 36,859 | 36,940 | 13,158 | 7,752 |
| Average realised price for crude oil sales (U.S.$/per barrel) | 106.73 | 102.98 | 107.4 | 106.87 | 80.15 |

(1) As presented in this Offering Memorandum, "EBITDA" means profit before income tax, foreign exchange loss/(gain), losses and unrealised gains on derivative financial instruments, employee share option plan expense, road maintenance expense, depreciation, depletion and amortisation, interest income, finance costs, other expenses/(income), capitalisation of net proceeds from GTF test production and "EBIT" means profit before income tax, foreign exchange loss/(gain), losses and unrealised gains on derivative financial instruments, employee share option plan, road maintenance expense, interest income, other expenses/(income). EBITDA and EBIT are supplemental measures of the Group's performance and liquidity that are not required by or presented in accordance with IFRS. Furthermore, EBITDA and EBIT should not be considered as alternatives to net income, profit before income tax or as cash flow from operating activities as a measure of the Group's profitability or liquidity or as a measure of cash available to the Group to invest in the growth of its business.

Although Nostrum Oil & Gas LP does not currently employ EBITDA as a measure for internal valuations, Nostrum Oil & Gas LP presents EBITDA in this Offering Memorandum because Nostrum Oil & Gas LP believes it is frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, most of which present EBITDA when reporting their results. Nostrum Oil & Gas LP presents EBIT because Nostrum Oil & Gas LP believes that it provides a useful measure for evaluating its ability to generate cash and its operating performance due to the costs it incurs for depreciation. Nevertheless, EBITDA and EBIT have limitations as analytical tools and they should not be considered in isolation from, or as a substitute for, analysis of Nostrum Oil & Gas LP's results of operations. As a measure of performance, EBITDA and EBIT present some limitations for the following reasons:

- they do not reflect the Group's cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, the Group's working capital needs;

- they do not reflect gains or losses in derivative financial instruments or foreign exchange contracts;
- they do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Group's debt;
- they do not capture differences in income taxes, which may be significant even for companies operating in the same sector or country;
- in the case of EBITDA, although depreciation and amortisation are non-cash charges, the assets being depreciated will often have to be replaced in the future and EBITDA does not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate these measures differently from the way we do, limiting its usefulness as a comparative measure.

(2) The following table provides a reconciliation of EBIT to profit before income tax for the periods indicated:

| | Nine months ended 30 September | | Year ended 31 December | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2012 | 2011 | 2010 |
| | | | *(U.S.$ thousands)* | | |
| Profit before income tax | 267,088 | 217,365 | 282,372 | 148,972 | 60,773 |
| **Add back**: | | | | | |
| Capitalised net proceeds from GTF test production | — | — | — | 9,314 | — |
| Road maintenance expenses | — | 21,416 | 21,416 | — | — |
| Finance costs | 32,739 | 25,185 | 46,458 | 1,660 | 20,495 |
| Foreign exchange loss/(gain) | 436 | (641) | (776) | 389 | (46) |
| Loss on derivative financial instrument | — | — | — | — | 470 |
| Employee share option plan | 5,433 | 2,498 | 2,470 | 3,545 | 3,079 |
| Interest income | (731) | (458) | (698) | (336) | (239) |
| Other expenses/(income) | 14,839 | 197 | 2,672 | 4,490 | (2,234) |
| **EBIT** | **319,804** | **265,562** | **353,914** | **168,034** | **82,298** |

(3) The following table provides a reconciliation of EBITDA to profit before income tax for the periods indicated:

| | Nine months ended 30 September | | Year ended 31 December | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2012 | 2011 | 2010 |
| | | | *(U.S.$ thousands)* | | |
| Profit before income tax | 267,088 | 217,365 | 282,372 | 148,972 | 60,773 |
| **Add back:** | | | | | |
| Capitalised net proceeds from GTF test production | — | — | — | 9,314 | — |
| Road maintenance expenses | — | 21,416 | 21,416 | — | — |
| Finance costs | 32,739 | 25,185 | 46,458 | 1,660 | 20,495 |
| Foreign exchange loss/(gain) | 436 | (641) | (776) | 389 | (46) |
| Loss on derivative financial instrument | — | — | — | — | 470 |
| Employee share option plan | 5,433 | 2,498 | 2,470 | 3,545 | 3,079 |
| Depreciation | 92,190 | 74,846 | 102,632 | 19,843 | 15,695 |
| Interest income | (731) | (458) | (698) | (336) | (239) |
| Other expenses/(income) | 14,839 | 197 | 2,672 | 4,490 | (2,234) |
| **EBITDA** | **411,994** | **340,408** | **456,546** | **187,877** | **97,993** |

**Other Financial and Operating Data (for Zhaikmunai LLP)**

| | Nine months ended 30 September | | Year ended 31 December | | |
|---|---|---|---|---|---|
| | **2013** | **2012** | **2012** | **2011** | **2010** |
| | | | *(U.S.$ thousands)* | | |
| Profit before income tax | 275,031 | 208,782 | 267,938 | 133,123 | 53,109 |
| Capitalized net proceeds from GTF test production | — | — | — | 9,314 | — |
| Finance costs | 49,450 | 50,534 | 81,566 | 38,139 | 38,256 |
| Foreign exchange loss/(gain) | 255 | (490) | (899) | 272 | 672 |
| Loss on derivative financial instrument | — | — | — | — | 470 |
| Depreciation and amortization | 92,091 | 74,835 | 102,622 | 19,830 | 15,695 |
| Interest income | (640) | (164) | (337) | (256) | (237) |
| Other expenses/(income) | 14,710 | 184 | 2,637 | 4,483 | (466) |
| **EBITDA[1]** | **430,897** | **333,681** | **453,527** | **204,905** | **107,499** |
| **LLP EBITDA ratio (as % the Group)[2]** | **104.6** | **98.0** | **99.3** | **109.1** | **109.7** |
| **Total assets** | **1,699,171** | **1,387,382** | **1,569,924** | **1,231,883** | **1,085,056** |
| **Total assets (as % of the Group)** | **98.4** | **94.3** | **98.0** | **94.3** | **95.4** |
| **Net assets[3]** | **533,062** | **354,503** | **373,498** | **225,849** | **165,094** |
| **Net assets[3] (as % of the Group)** | **68.3** | **53.0** | **53.7** | **38.6** | **33.0** |

(1) As presented in this Offering Memorandum, "EBITDA" means profit before income tax, foreign exchange loss/(gain), losses and unrealised gains on derivative financial instruments, employee share option plan expense, road maintenance expense, depreciation, depletion and amortisation, interest income, finance costs, other expenses/(income), capitalisation of net proceeds from GTF test production and "EBIT" means profit before income tax, foreign exchange loss/(gain), losses and unrealised gains on derivative financial instruments, employee share option plan, road maintenance expense, interest income, other expenses/(income). EBITDA and EBIT are supplemental measures of the Group's performance and liquidity that are not required by or presented in accordance with IFRS. Furthermore, EBITDA and EBIT should not be considered as alternatives to net income, profit before income tax or as cash flow from operating activities as a measure of the Group's profitability or liquidity or as a measure of cash available to the Group to invest in the growth of its business.

Although the Group does not currently employ EBITDA as a measure for internal valuations, it presents EBITDA in this Offering Memorandum because the Group believes it is frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, most of which present EBITDA when reporting their results. The Group presents EBIT because it believes that it provides a useful measure for evaluating its ability to generate cash and its operating performance due to the costs it incurs for depreciation. Nevertheless, EBITDA and EBIT have limitations as analytical tools and they should not be considered in isolation from, or as a substitute for, analysis of the Group's results of operations. As a measure of performance, EBITDA and EBIT present some limitations for the following reasons:

- they do not reflect the Group's cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, the Group's working capital needs;
- they do not reflect gains or losses in derivative financial instruments or foreign exchange contracts;
- they do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Group's debt;
- they do not capture differences in income taxes, which may be significant even for companies operating in the same sector or country;
- in the case of EBITDA, although depreciation and amortisation are non-cash charges, the assets being depreciated will often have to be replaced in the future and EBITDA does not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate these measures differently from the way we do, limiting its usefulness as a comparative measure.

(2) This represents the EBITDA of Zhaikmunai LLP as compared to the EBITDA of the Group. The EBITDA of Zhaikmunai LLP is higher as compared to the Group, because it does not include certain expenses specific to the parent company of the Group, Nostrum Oil & Gas LP.

(3) As presented in this Offering Memorandum, net assets are calculated as total assets minus total liabilities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis should be read together with the unaudited interim condensed consolidated financial statements as at and for the nine months ended 30 September 2013 and 2012, the audited consolidated financial statements as at and for the years ended 31 December 2012, 2011 and 2010, including the accompanying notes, included elsewhere in this Offering Memorandum. The audited consolidated financial statements and the accompanying notes and the unaudited interim condensed consolidated financial statements and accompanying notes have been prepared in accordance with IFRS as adopted by the European Union.*

*Some of the information in the discussion and analysis set forth below and elsewhere in this Offering Memorandum includes forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements" and "Risk Factors" for a discussion of important factors that could cause actual results to differ materially from the results described in the forward-looking statements contained in this Offering Memorandum.*

### Overview

Nostrum is the indirect holding entity of Zhaikmunai LLP, an independent oil and gas enterprise engaged in the exploration and production of oil and gas products in North-Western Kazakhstan. Nostrum's primary field and Licence area is the Chinarevskoye Field located in the northern part of the oil-rich Pre-Caspian Basin. In addition, in May 2013, the Group completed the acquisition of three development fields, Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye, located in the Pre-Caspian basin to the North-West of Uralsk, approximately 60 to 120 kilometres from the Chinarevskoye Field.

Prior to 2011, all of Nostrum's revenues were generated by its crude oil sales. However, starting in late 2011 when the gas treatment facility came into full production, the Group began producing and selling stabilised condensate, dry gas and LPG in addition to crude oil. The gas treatment facility has enabled Nostrum to increase its daily production of oil and gas products from an average daily production of approximately 9,700 boepd (primarily crude oil) during the first half of 2011 to an average daily production of 46,370 boepd (comprised of crude oil, stabilised condensate, dry gas and LPG) during the six months ended 30 June 2013 and 45,414 boepd during the nine months ended 30 September 2013.

The primary factors affecting the Group's results of operations are: (i) the prices received by Nostrum for its products, (ii) the quantities of Nostrum's production for a given period, (iii) the costs Nostrum incurs to produce and transport its products, (iv) finance costs incurred by the Group under its borrowings and (v) amounts payable pursuant to the PSA (see "*—Primary Factors Affecting Results of Operations*"*)*.

The following table sets forth the Group's revenues from the sale of its oil and gas products, cost of sales, gross profit, profit before income tax and net income/(loss) for the nine months ended 30 September 2013 and 2012:

| | Nine months ended 30 September | |
|---|---|---|
| | 2013 | 2012 |
| | *(unaudited)* *(U.S.$ thousands)* | |
| **Revenue** | **657,190** | **523,248** |
| Cost of sales | (206,544) | (155,114) |
| **Gross profit** | **450,646** | **368,134** |
| Profit before income tax | 267,088 | 217,365 |
| **Net income/(loss)** | **161,766** | **137,237** |

The following table sets forth the Group's revenues from the sale of its oil and gas products, cost of sales, gross profit, profit before income tax and net income/(loss) for the years ended 31 December 2012, 2011 and 2010:

| | Years ended 31 December | | |
|---|---|---|---|
| | 2012 | 2011 | 2010 |
| | *(U.S.$ thousands)* | | |
| **Revenue** | **737,065** | **300,837** | **178,159** |
| Cost of sales | (238,224) | (70,805) | (53,860) |
| **Gross profit** | **498,841** | **230,032** | **124,299** |
| Profit before income tax | 282,372 | 148,972 | 60,773 |
| **Net income/(loss)** | **162,009** | **81,624** | **22,900** |

### Primary Factors Affecting Results of Operations

The primary factors affecting the Group's results of operations during the periods under review are the following:

#### *Pricing*

The pricing for all of the Group's crude oil, condensate and LPG is, directly or indirectly, related to the price of Brent crude oil and the pricing of the Group's dry gas is related to domestic Kazakh prices for gas. During the periods under review, the price of Brent crude oil experienced significant fluctuations. According to Bloomberg, the spot price of Brent crude oil reached approximately U.S.$98.26 per barrel as at 31 December 2011, U.S.$103.74 per barrel as at 31 December 2012 and U.S.$110.53 per barrel as at 31 December 2013. Prices have varied between a low of approximately U.S.$105.60 per barrel and a high of approximately U.S.$108.27 per barrel in the first month of 2014. The price per barrel was approximately U.S.$105.12 as at 30 September 2013. The price per barrel was approximately U.S.$109.03 as at 30 September 2013. See "*Risk Factors—Risk Factors Relating to the Oil and Gas Industry—Any volatility and future decreases in commodity prices could materially adversely affect the Group's business, prospects, financial condition and results of operations*".

| | Nine months ended 30 September | | Years ended 31 December | | |
|---|---|---|---|---|---|
| | **2013** | **2012** | **2012** | **2011** | **2010** |
| Average Brent crude oil price (U.S.$/bbl) | 110.91 | 80.15 | 109.03 | 105.7 | 111.68 |

The Group has a hedging policy whereby it hedges against adverse oil price movements during times of considerable non scalable capital expenditure. Based on the contracts Zhaikmunai LLP has entered into with various equipment suppliers for the third gas treatment unit and the fact that further contracts will be entered into in the next several months, Nostrum is closely monitoring the hedging market and may in the near future enter into a hedge to cover a portion or all of its non-scalable capital expenditure linked to the construction of the third gas treatment unit. During the 2010 and 2011 financial years, the Group had hedging arrangements in place while it was completing and commissioning the first phase of the gas treatment facility. For the financial year ended 31 December 2010, the Group suffered a hedging loss of U.S.$470,000, resulting in a liability of U.S.$372,000 as at year end. As of 31 December 2011, all hedging contracts were terminated and no new contracts have been entered into since. See "*—Disclosure about Market Risk—Commodity price risk*".

Until 2010, the Group's products were sold and delivered from Uralsk to Nostrum's customers on a FCA (free carrier) shipment basis. However, in order to avoid incurring higher transportation costs and to introduce higher profitability into the Group's pricing, in 2010, Nostrum started selling its products on the basis of DAP (delivered at place) and FOB (free on board) terms. This means that Nostrum incurs most of the transportation costs relating to shipment. However, it also provides the Group with access to a larger number of purchasers, resulting in greater competition for its products and therefore higher profitability.

The Group generates revenue from the sale of four principal products: crude oil, condensate, dry gas and LPG.

- *Crude oil*

  Pursuant to the PSA, the Group is required to deliver 15% of its crude oil production sourced from wells in production in the domestic Kazakhstan market at government-regulated prices. The remainder of the Group's crude oil is free to be exported; currently the Group exports all of this remaining crude oil to purchasers in Ukraine and Finland.

- *Condensate*

  The Group exports 100% of its condensate.

- *Dry gas*

  The Group sells 100% of its dry gas not used in production domestically in Kazakhstan to two customers for prices that are broadly in line with domestic gas prices and are payable in Tenge.

- *LPG*

  Currently the Group sells approximately 10-15% of its LPG production domestically in Kazakhstan and the remainder is exported to various destinations.

### *Production*

The Group's results of operations are also directly affected by its production volumes because, except for a portion of the dry gas that is utilised in the operations of the gas treatment facility, all production by Nostrum is sold.

The table below sets forth Nostrum's production for the nine months ended 30 September 2013 and 2012.

| | Nine months ended 30 September | |
|---|---|---|
| | 2013 | 2012 |
| Total production (boe) | 11,881,506 | 10,062,507 |
| Total average production (boepd) | 45,414 | 36,859 |
| Crude oil & stabilised condensate average production (boepd) | 18,393 | 15,465 |
| LPG average production (boepd) | 4,178 | 2,969 |
| Dry gas average production (boepd) | 20,950 | 18,425 |
| Increase in production from previous period (boepd) | 8,555 | 24,533 |
| Increase in production from previous period (%) | 23.2 | 199.0 |

The table below sets forth Nostrum's production for the years ended 31 December 2012, 2011 and 2010.

| | Years ended 31 December | | |
|---|---|---|---|
| | 2012 | 2011 | 2010 |
| Total production (boe) | 13,520,040 | 4,802,561 | 2,829,764 |
| Average production (boepd) | 36,940 | 13,158 | 7,752 |
| Increase in production from previous period (boepd) | 23,782 | 5,406 | 310 |
| Increase in production from previous period (%) | 180.7 | 69.7 | 4.2 |

Nostrum's production growth in 2011, 2012 and the first nine months of 2013 was primarily driven by the output from its newly installed gas treatment facility, whereas in 2010 production growth had primarily been driven by a growing drilling programme.

The gas treatment facility, which has contributed to a significant increase in production in 2012 and the first nine months of 2013, operated at or near its design capacity by the end of 2012 following a maintenance shutdown of the gas treatment facility in October 2012. In addition, the Group intends to drill 11 new wells (five new exploration/appraisal wells and six new production/water injection wells) in order to maintain production above the 45,000 boepd target and is also planning the development of a third gas treatment unit for the gas treatment facility, both of which they believe will significantly increase production in the future. See "*—Liquidity and Capital Resources—Capital Expenditures*".

### *Cost of sales*

The Group's oil and gas prices are based on a mix of fixed and quotation pricing, and therefore Nostrum's ability to control costs is critical to its profitability. Nostrum's cost of sales comprise various costs including depreciation of oil and gas properties, repair, maintenance and other services, royalties, payroll and related taxes, materials and supplies, management fees, other transportation services, government profit share, environmental levies, and well workover costs.

Depreciation and amortisation costs, during the periods under review, have represented as a percentage of total cost of sales 44.1% and 47.7% for the nine months ended 30 September 2013 and 2012, respectively, and 42.6%, 27.5% and 28.2% for the years ended 31 December 2012, 2011 and 2010, respectively. Such costs fluctuate according to the level of Nostrum's proved developed reserves, the volume of oil and gas it produces and the net book value of its oil and gas properties (see "—*Summary of Critical Accounting Policies*" below for an explanation of this accounting policy).

Repair, maintenance and other services are related to the repair and maintenance of the Group's infrastructure, including the gas treatment facility but does not include ongoing repair and maintenance of production and exploration wells. These costs, during the periods under review, have represented as a percentage of total cost of sales 19.4% and 21.6% for the nine months ended 30 September 2013 and 2012, respectively, and 23.3%, 23.5% and 14.1% for the years ended 31 December 2012, 2011 and 2010, respectively. The increases in 2011, 2012 and the nine months ended 30 September 2013 were primarily driven by the ramp up of operations of the gas treatment facility, which came online in the second half of 2011.

Well workover costs are related to ongoing repair and maintenance of production and exploration wells. These costs, during the periods under review, have represented as a percentage of total cost of sales 1.1% and 2.8% for the nine months ended

30 September 2013 and 2012, respectively, and 3.2%, 5.6% and 10.9% for the years ended 31 December 2012, 2011 and 2010, respectively.

The increase in management fees and payroll costs resulted from an increase in the number of personnel contracted and/or employed by Nostrum as well as through increases in salaries. Costs for repairs and maintenance and material and supplies increased principally due to the gas treatment facility's operations.

***Finance costs***

Finance costs in the nine months ended 30 September 2013 and 2012, and in the years ended 31 December 2012, 2011 and 2010 consisted of interest expenses and fees and expenses in relation to the 2015 Bonds issued by Zhaikmunai Finance B.V. in October 2010 and the 2019 Bonds issued by Zhaikmunai International B.V. in November 2012; interest expenses and commitment fees in relation to the senior secured reducing facility agreement entered into in December 2007 (the "**Syndicated Facility**"); unwinding of discount on amounts due to the Kazakh Government; and unwinding of discount on abandonment and site restoration liability.

Interest expense in the nine months ended 30 September 2013 and the year ended 31 December 2012 consisted of interest on the 2015 Bonds and the 2019 Bonds. Interest expense in the nine months ended 30 September 2012 and the year 2011 consisted solely of interest on the 2015 Bonds following the prepayment of the Syndicated Facility on 19 October 2010. Interest expense in 2010 consisted of interest on the 2015 Bonds and on Nostrum's Syndicated Facility. Capitalised borrowing costs (including a portion of the interest expense, withholding tax paid by Nostrum and amortisation of the arrangement fees) amounted to U.S.$10.5 million and U.S.$13.7 million for the nine months ended 30 September 2013 and 2012, respectively, and to U.S.$26.1 million in 2012, U.S.$51.6 million in 2011 and U.S.$51.7 million in 2010. Non-capitalised interest (including withholding tax paid by Nostrum) amounted to U.S.$48.3 million in 2012, U.S.$3.1 million in 2011 and U.S.$19.9 million in 2010.

***Royalties, Government Share and Taxes payable pursuant to the PSA***

Nostrum operates and produces pursuant to the PSA. The PSA has, during the periods under review, and will continue to have both a positive and negative effect on Nostrum's results of operations as a result of (i) the tax regime applicable to Nostrum under the PSA (discussed below), (ii) increasing royalty expenses payable to the State, (iii) the share of profit oil and the share of gas that Nostrum pays to the State and (iv) recovery bonus payable to the State.

Under the PSA, the Kazakh tax regime that was in place in 1997 applies to the Group for the entire term of the PSA and the Licence (as to VAT and social tax, the regime that was in place as of 1 July 2001 applies). As of 1 January 2009, the new Tax Code became effective and introduced a new tax regime and taxes applicable to subsoil users (including mineral extraction tax and historical cost). However, the Tax Code did not supersede the previous tax regime applicable to PSAs entered into before 1 January 2009, which continue to be effective under Articles 308 and 308-1 of the Tax Code. Despite the stabilisation clauses (providing for general and tax stability) provided for by the PSA, in 2008, in 2010 and again in 2013, Nostrum was required to pay new crude oil export duties introduced by the Kazakh Government. Despite Nostrum's efforts to show that the new export duties were not applicable to it, the State authorities did not accept this position and Nostrum was required to pay the export duties. During January 2009, the Kazakh Government revised and established the rate of the export duties at U.S.$ nil per tonne of crude oil, but reimposed a U.S.$20 per tonne duty in August 2010, which was increased to U.S.$40 per tonne in January 2011 and then to U.S.$60 per tonne in April 2013.

For the purposes of corporate income tax from 1 January 2007, the Group considers its revenue from oil and gas sales related to the Tournaisian horizon as taxable revenue and its expenses related to the Tournaisian horizon as deductible expenses, except those expenses which are not deductible in accordance with the tax legislation of Kazakhstan. Assets related to the Tournaisian reservoir that were acquired during the exploration phase are then depreciated for tax purposes at a maximum rate of 25.0% per annum. Assets related to the Tournaisian reservoir that were acquired after the commencement of the production phase are subject to the depreciation rate in accordance with the 1997 Kazakh tax regime, which is between 5% and 25% depending on the nature of the asset. Under the PSA, the exploration phase for the remainder of the Chinarevskoye Field expired in May 2011 and a further extension has been applied for. Assets related to the other horizons will depreciate in the same manner as those described above for the Tournaisian reservoir.

Under the PSA, Nostrum is obliged to pay to the State royalties on the volumes of crude oil and gas produced, with the royalty rate increasing as the volume of hydrocarbons produced increases. In addition, Nostrum is required to deliver a share of its monthly production to the State (or make a payment in lieu of such delivery). The share to be delivered to the State also increases as annual production levels increase. Pursuant to the PSA, the Group is currently able to effectively deduct a significant proportion of production (known as Cost Oil) from the sharing arrangement that it would otherwise have to share with the Kazakh Government. Cost Oil reflects the deductible capital and operating expenditures incurred by the Group in

relation to its operations. During the periods under review, royalties and government profit share represented, as a percentage of total cost of sales, 13.2% and 6.9%, respectively, for the nine months ended 30 September 2013, compared to 7.4% and 1.6%, respectively, for the nine months ended 30 September 2012, 14.4% and 3.3%, respectively, for the year ended 31 December 2012, 12.3% and 2.6%, respectively, for the year ended 31 December 2011 and 16.5% and 3.1%, respectively, for the year ended 31 December 2010.

## Factors Affecting Comparability

### *Gas Treatment Facility*

In the past several years the Group has been investing significantly in the construction and development of the gas treatment facility, which was in test production from May 2011 and came online into full production in November 2011. The Group started recording revenue and costs of sales from sales of products from the gas treatment unit in the Group's income statement in November 2011 when the gas treatment facility moved from construction in progress to working asset. Prior to November 2011, revenue and costs of sales of the gas treatment facility were recorded against construction in progress. See Note 18 to the audited consolidated financial statements for the year ended 31 December 2012. Prior to the construction of the gas treatment facility the Group's revenue resulted solely from the sale of crude oil. Commencing in November 2011, the Group began selling condensate, dry gas and LPG in addition to crude oil. This materially impacted the Group's results in 2012, making it difficult to compare this period to earlier periods.

## Summary of Critical Accounting Policies

The Group's significant accounting policies are more fully described in note 1 of the Financial Statements.

However, certain of the Group's accounting policies are particularly important to the presentation of the Group's results of operations and require the application of significant judgment by its management.

In applying these policies, the Group's management uses its judgment to determine the appropriate assumption to be used in the determination of certain estimates used in the preparation of the Group's results of operations. These estimates are based on the Group's previous experience, the terms of existing contracts, information available from external sources and other factors, as appropriate.

The Group's management believes that, among others, the following accounting policies that involve management judgments and estimates are the most critical to understanding and evaluating its reported financial results.

### *Estimations and Assumptions*

#### *Oil and gas reserves*

Oil and gas reserves are a material factor in Nostrum Oil & Gas LP's computation of depreciation, depletion and amortisation (the "**DD&A**"). Nostrum Oil & Gas LP estimates its reserves of oil and gas in accordance with the definitions and disclosure guidelines contained in the SPE-PRMS. In estimating its reserves under SPE-PRMS methodology, Nostrum Oil & Gas LP uses long-term planning prices which are also used by management to make investment decisions about the development of a field. Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year-end spot prices. Management believes that long-term planning price assumptions are more consistent with the long-term nature of the Group's business and provide the most appropriate basis for estimating oil and gas reserves. All reserve estimates involve some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability. Estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data, availability of new data, or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for DD&A.

### *Property, Plant and Equipment*

#### *Exploration expenditure*

Geological and geophysical exploration costs are charged against income as incurred. Costs directly associated with exploration wells are capitalized within property, plant and equipment (construction work-in-progress) until the drilling of the

well is complete and the results have been evaluated. These costs include employee remuneration and materials and fuel used, rig costs and payments made to contractors and asset retirement obligation fees. If hydrocarbons are not found, the exploration expenditure is written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells (exploration or exploratory-type stratigraphic test wells), are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off.

*Oil and gas properties*

Expenditure on the construction, installation or completion of infrastructure facilities such as treatment facilities, pipelines and the drilling of development wells, is capitalized within property, plant and equipment as oil and gas properties. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and the initial estimate of decommissioning obligation, if any. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Property, plant and equipment are stated at cost less accumulated depreciation, depletion and impairment.

All capitalized costs of oil and gas properties are amortized using the unit-of-production method based on estimated proved developed reserves of the field, except the Group depreciates its oil pipeline and oil loading terminal on a straight line basis over the life of the license. In the case of assets that have a useful life shorter than the lifetime of the field the straight line method is applied.

*Oil and gas reserves*

Proved oil and gas reserves are estimated quantities of commercially viable hydrocarbons which existing geological, geophysical and engineering data show to be recoverable in future years from known reservoirs. The Group uses the reserve estimates provided by an independent appraiser to assess the oil and gas reserves of its oil and gas fields. These reserve quantities are used for calculating the unit of production depreciation rate as it reflects the expected pattern of consumption of future economic benefits by the Group.

***Provisions***

Provision for decommissioning is recognised in full, on a discounted cash flow basis, when the Group has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that provision can be made. The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation, adjusted for expected inflation and discounted using average long-term interest rates for emerging market debt adjusted for risks specific to the Kazakhstan market. The unwinding of the discount related to the obligation is recorded in finance costs. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. This asset is subsequently depreciated as part of the capital costs of the oil and gas properties on a unit of production basis.

Changes in the measurement of an existing decommissioning liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or changes to the discount rate:

(a) are added to, or deducted from, the cost of the related asset in the current period. If deducted from the cost of the asset the amount deducted shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognised immediately in the income statement; and

(b) if the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss in accordance with IAS 36.

*Borrowing Costs*

The Group capitalises borrowing costs on qualifying assets. Assets qualifying for borrowing costs capitalisation include all assets under construction, provided that significant work has been in progress during the reporting period. Qualifying assets mostly include wells and other field infrastructure under construction. Capitalised borrowing costs are calculated by applying the capitalisation rate to the expenditures on qualifying assets. The capitalisation rate is the weighted average of the effective interest rate of the borrowing costs applicable to the Group's borrowings that are outstanding during the period.

*Derivative Financial Instruments and Hedging*

The Group has a hedging policy whereby it hedges against adverse oil price movements during times of considerable non scalable capital expenditure. Based on the contracts Zhaikmunai LLP has entered into with various equipment suppliers for the third gas treatment unit and the fact that further contracts will be entered into in the next several months the Group is closely monitoring the hedging market and may in the near future enter into a hedge to cover a portion or all of its non-scalable capital expenditure linked to the construction of the third gas treatment unit. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.

The fair value of financial instruments contracts is determined by reference to market values for similar instruments.

**Results of Operations**

***Comparison of the nine months ended 30 September 2013 and 2012***

The table below sets forth the line items of the Group's interim consolidated statements of comprehensive income for the nine months ended 30 September 2013 and 2012 in U.S. Dollars and as a percentage of revenue.

| | Nine months ended 30 September 2013 | % of revenue | Nine months ended 30 September 2012 | % of revenue |
|---|---|---|---|---|
| | | *(unaudited)* *(U.S.$ thousands)* | | |
| **Revenue** | 657,190 | 100.0 | 523,248 | 100.0 |
| Cost of sales | (206,544) | 31.4 | (155,114) | 29.6 |
| **Gross Profit** | **450,646** | **68.6** | **368,134** | **70.4** |
| General and administrative expenses | (48,644) | 7.4 | (54,221) | 10.4 |
| Selling and transportation expenses | (87,631) | 13.3 | (72,265) | 13.8 |
| Finance costs | (32,739) | 5.0 | (25,185) | 4.8 |
| Foreign exchange gain/(loss), net | (436) | 0.1 | 641 | 0.1 |
| Interest income | 731 | 0.1 | 458 | 0.1 |
| Other expenses | (17,794) | 2.7 | (3,224) | 0.6 |
| Other income | 2,955 | 0.4 | 3,027 | 0.6 |
| **Profit before income tax** | **267,088** | **40.6** | **217,365** | **41.5** |
| Income tax expense | (105,322) | 16.0 | (80,128) | 15.3 |
| **Profit for the period** | **161,766** | **24.6** | **137,237** | **26.2** |

*Revenue* increased by U.S.$133.9 million, or 25.6%, to U.S.$657.2 million in the nine months ended 30 September 2013 from U.S.$523.2 million in the nine months ended 30 September 2012 primarily due to the increase in output from the gas treatment facility.

For the nine months ended 30 September 2013, revenue from sales to the Group's top five customers amounted to U.S.$142.3 million, U.S.$140.2 million, U.S.$77.5 million, U.S.$ 77.5 million and U.S.$51.8 million, respectively. For the nine months ended 30 September 2012, revenue from sales to the Group's top three customers amounted to U.S.$200.6 million, U.S.$54.0 million and U.S.$118.8 million, respectively.

The following table shows the Group's revenue and sales volumes for the nine months ended 30 September 2013 and 2012:

| | Nine months ended 30 September | |
|---|---|---|
| | **2013** | **2012** |
| Oil and gas condensate (U.S.$ thousands, unaudited) | 525,157 | 410,362 |
| Gas and LPG (U.S.$ thousands, unaudited) | 132,033 | 112,886 |
| **Total revenue (U.S.$ thousands, unaudited)** | **657,190** | **523,248** |

| | Nine months ended 30 September | |
|---|---|---|
| | 2013 | 2012 |
| Sales volumes (boe) | 11,947,231 | 9,494,762 |

The following table shows the Group's revenue breakdown by export/domestic sales for the nine months ended 30 September 2013 and 2012:

| | Nine months ended 30 September | |
|---|---|---|
| | 2013 | 2012 |
| | *(U.S.$ thousands)* | |
| Revenue from export sales | 565,408 | 442,924 |
| Revenue from domestic sales | 91,782 | 80,324 |
| **Total revenue** | **657,190** | **523,248** |

*Cost of sales* increased by U.S.$51.4 million, or 33.2%, to U.S.$206.5 million in the nine months ended 30 September 2013 from U.S.$155.1 million in the nine months ended 30 September 2012 primarily due to an increase in depreciation, depletion and amortisation, royalties, government profit share, changes in stock, and repair and maintenance expenses, partially offset by a decrease in payroll and related taxes and materials and supply expenses.

On a boe basis, cost of sales increased marginally by U.S.$0.95, or 5.8%, to U.S.$17.29 in the first nine months of 2013 from U.S.$16.34 in the first nine months of 2012, and cost of sales net of depreciation per boe increased by U.S.$1.11, or 13.0%, to U.S.$9.66 in the first nine months of 2013 from U.S.$8.55 in the first nine months of 2012.

*Depreciation, depletion and amortisation* increased by 23.2%, or U.S.$17.2 million, in the nine months ended 30 September 2013 to U.S.$91.1 million from U.S.$73.9 million in the nine months ended 30 September 2012. The increase is due to an increase of production without a similar increase in proved developed reserves during the period.

*Royalty costs* increased by 135.3% to U.S.$27.2 million in the first nine months of 2013, as compared to U.S.$11.5 million in the first nine months of 2012, mainly due to the diversification of products deriving from the gas treatment facility.

*Costs for government profit share* increased by U.S.$11.7 million, or 459.5%, to U.S.$14.2 million in the first nine months of 2013 from U.S.$2.5 million in the first nine months of 2012, mainly due to the increased operations and production related to the gas treatment facility. For tax purposes, cost recovery on (and depreciation of) the third gas treatment unit will not start until State Acceptance Commission confirms that permanent operations can commence at the gas treatment facility. Until then, a significant increase in costs for government profit share can be expected.

*Materials and supply expenses* decreased by 12.1% to U.S.$10.3 million while repair and maintenance expenses increased by 19.7% to U.S.$40.1 million, mainly due to the increased operations and production related to the gas treatment facility.

*General and administrative expenses* decreased by U.S.$5.6 million, or 10.3%, to U.S.$48.6 million in the nine months ended 30 September 2013 from U.S.$54.2 million in the nine months ended 30 September 2012 due primarily to a decrease in social programme expenditures of U.S.$21.5 million in the nine months ended 30 September 2013 from U.S.$21.7 million in the nine months ended 30 September 2012. This decrease was related to the completion in 2012 of construction of a 37 kilometre asphalt road accessing the field site with no similar expense incurred in the first nine months of 2013. The decrease in social costs was partially offset by increased management fees, other taxes and the change in the value of the employee share option plan.

*Selling and transportation expenses* increased by U.S.$15.3 million, or 21.3%, to U.S.$87.6 million in the nine months ended 30 September 2013 from U.S.$72.3 million in the nine months ended 30 September 2012. This was driven primarily by an increase of U.S.$9.4 million in loading and storage costs to U.S.$25.4 million in the nine months ended 30 September 2013 from U.S.$16.0 million in the nine months ended 30 September 2012 and an increase of U.S.$5.6 million in transportation costs to U.S.$56.0 million in the nine months ended 30 September 2013 from U.S.$50.4 million in the nine months ended 30 September 2012. These cost increases were driven primarily by the rise in output of LPG and condensate volumes.

*Finance costs* increased by U.S.$7.6 million, to U.S.$32.7 million in the nine months ended 30 September 2013 from U.S.$25.2 million in the nine months ended 30 September 2012. The increase in costs was primarily driven by increasing the long-term debt total through the issue of U.S.$560 million of 2019 Bonds, bearing interest at a rate 7.125% per annum, in the fourth quarter of 2012, which was partially offset by the repurchase of U.S.$357 million of the 2015 Bonds.

*Foreign exchange loss* amounted to U.S.$436 thousand in the nine months ended 30 September 2013 compared to a gain of U.S.$641 thousand in the nine months ended 30 September 2012.

*Other expenses* increased to U.S.$17.8 million in the nine months ended 30 September 2013 from U.S.$3.2 million in the nine months ended 30 September 2012. The increase in other expenses was due to the increase in export duties paid by the Group. See "*Regulation in Kazakhstan—Oil and Gas Export Duties*".

*Profit before income tax* amounted to a profit of U.S.$267.1 million in the nine months ended 30 September 2013 compared to a profit of U.S.$217.4 million in the nine months ended 30 September 2012. The higher profitability was driven primarily by the increased revenue due to the increase in output of the gas treatment facility.

*Income tax expense* increased to U.S.$105.3 million in the nine months ended 30 September 2013 compared to U.S.$80.1 million in the nine months ended 30 September 2012, a 31.4% increase. The increase in income tax expense was primarily due to the increase in profit before income tax.

*Net income* amounted to U.S.$161.8 million in the nine months ended 30 September 2013, an increase of U.S.$24.5 million from U.S.$137.2 million in the nine months ended 30 September 2012. This higher profitability was driven by increased revenue from increased production of hydrocarbons.

### *Comparison of the years ended 31 December 2012 and 2011*

The table below sets forth the line items of the Group's consolidated statement of comprehensive income for the years ended 31 December 2012 and 2011 in U.S. Dollars and as a percentage of revenue.

| | Year ended 31 December 2012 | % of revenue | Year ended 31 December 2011 | % of revenue |
|---|---|---|---|---|
| | *(U.S.$ thousands)* | | *(U.S.$ thousands)* | |
| **Revenue** | 737,065 | 100.0 | 300,837 | 100.0 |
| Cost of sales | (238,224) | 32.3 | (70,805) | 23.5 |
| **Gross Profit** | **498,841** | **67.7** | **230,032** | **76.5** |
| General and administrative expenses | (65,209) | 8.8 | (39,462) | 13.1 |
| Selling and transportation expenses | (103,604) | 14.1 | (35,395) | 11.8 |
| Finance costs | (46,458) | 6.3 | (1,660) | 0.6 |
| Foreign exchange gain/(loss), net | 776 | 0.1 | (389) | 0.1 |
| Interest income | 698 | 0.1 | 336 | 0.1 |
| Other (expenses)/income | (2,672) | 0.4 | (4,490) | 1.5 |
| **Profit before income tax** | **282,372** | **38.3** | **148,972** | **49.5** |
| Income tax expense | (120,363) | 16.3 | (67,348) | 22.4 |
| **Profit/(loss) for the period** | **162,009** | **22.0** | **81,624** | **27.1** |

*Revenue* increased by U.S.$436.2 million, or 145.0%, to U.S.$737.1 million in the year ended 31 December 2012 from U.S.$300.8 million in the year ended 31 December 2011 primarily due to the additional revenue generated by the increased production primarily from the gas treatment facility.

For the year ended 31 December 2012, revenue from sales to the Group's top two customers amounted to U.S.$268.6 million and U.S.$222.2 million, respectively. During the year ended 31 December 2011, revenue to the same two customers amounted to U.S.$227.0 million and nil, respectively.

The following table shows the Group's revenue, sales volumes and the commodity price of Brent crude oil for the years ended 31 December 2012 and 2011:

| | Years ended 31 December | |
|---|---|---|
| | 2012 | 2011 |
| Oil and gas condensate (U.S.$ thousands) | 587,371 | 289,947 |
| Gas products (U.S.$ thousands) | 149,694 | 10,890 |
| **Total revenue (U.S.$ thousands)** | **737,065** | **300,837** |

| | Years ended 31 December | |
|---|---|---|
| | **2012** | **2011** |
| Sales volumes (boe) | 13,629,245 | 3,397,815 |
| Average Brent crude oil price on which Nostrum based its sales (U.S.$/bbl) | 107.43 | 106.87 |

The following table shows the Group's revenue breakdown by export/domestic sales for the years ended 31 December 2012 and 2011:

| | Years ended 31 December | |
|---|---|---|
| | **2012** | **2011** |
| | *(U.S.$ thousands)* | |
| Revenue from export sales | 630,412 | 284,548 |
| Revenue from domestic sales | 106,653 | 16,289 |
| **Total revenue** | **737,065** | **300,837** |

The significant increase in domestic sales in the year ended 31 December 2012 compared to the year ended 31 December 2011 was primarily due to the commencement of dry gas production and sales, 100% of which is sold in the domestic Kazakhstan market.

Cost of sales increased by U.S.$167.4 million, or 236.5%, to U.S.$238.2 million in the year ended 31 December 2012 from U.S.$70.8 million in the year ended 31 December 2011 primarily due to an increase in production, depreciation, depletion and amortization, repair and maintenance, royalties, payroll expenses and costs for government profit share driven by commencement of operations at the gas treatment facility. On a boe basis, cost of sales decreased by U.S.$3.36 or 16.1%, to U.S.$17.48 in the year ended 31 December 2012 from U.S.$20.83 in the year ended 31 December 2011, and cost of sales net of depreciation per boe decreased by U.S.$5.07, or 33.6% to U.S.$10.04 in the year ended 31 December 2012 from U.S.$15.11 in the year ended 31 December 2011.

*Depreciation, depletion and amortisation* increased by 421.3% or U.S.$81.9 million in the year ended 31 December 2012 to U.S.$101.4 million, primarily resulting from the gas treatment facility and associated wells coming into production. The depletion rate for oil and gas working assets was 11.96% and 4.8% in 2012 and 2011, respectively.

*Materials and supply expenses* increased by 7.7% to U.S.$5.3 million while repair and maintenance expenses increased by 233.4% to U.S.$55.5 million, mainly due to the increased operations and production related to the gas treatment facility.

*Payroll and related taxes* increased by 99.4% to U.S.$18.4 million in the year ended 31 December 2012 compared to U.S.$9.2 million in the year ended 31 December 2011 primarily due to an increase in the number of employees required to operate the gas treatment facility and increase in salary rates.

*Royalty costs* increased by U.S.$25.5 million, or 293.8%, to U.S.$34.2 million in 2012 from U.S.$8.7 million in 2011, primarily due to increased revenue resulting from increased production.

*Costs for government profit share* increased by U.S.$6.1 million, or 332.8%, to U.S.$7.9 million in 2012 from U.S.$1.8 million in 2011, primarily due to increased revenue resulting from increased production.

*General and administrative expenses* increased by U.S.$25.7 million, or 65.2%, to U.S.$65.2 million in the year ended 31 December 2012 from U.S.$39.5 million in the year ended 31 December 2011 due primarily to an increase in social programme expenditures to U.S.$21.8 million in the year ended 31 December 2012 from U.S.$1.1 million in the year ended 31 December 2011. This increase was related to the cost of construction of a 37-kilometre asphalt road accessing the field site, which the Group agreed to construct as part of the ninth amendment to the PSA. The costs associated with the construction of this road are significantly higher than the Group's usual costs relating to social programmes under the PSA. Other expenses contributing to the increase in general and administrative expenses include an increase in management fees, an increase in payroll and related taxes and an increase in training expenses.

*Selling and transportation expenses* increased by U.S.$68.2 million, or 192.7%, to U.S.$103.6 million in the year ended 31 December 2012 from U.S.$35.4 million in the year ended 31 December 2011, primarily driven by an increase of U.S.$44.3 million for transportation costs to U.S.$74.0 million in the year ended 31 December 2012 from U.S.$29.7 million in the year ended 31 December 2011. Additionally, the company's loading and storage costs increased to U.S.$21.6 million in the year ended 31 December 2012 from U.S.$1.4 million in the year ended 31 December 2011. These cost increases were

driven by the overall increase in production and specifically the rise in output of LPG and condensate volumes, which products require more specialised transportation and therefore higher costs.

*Finance costs* increased by U.S.$44.8 million, or 2,698.7%, to U.S.$46.5 million in the year ended 31 December 2012 from U.S.$1.7 million in the year ended 31 December 2011. The increase in costs was primarily driven by the coming into operation of the gas treatment facility, which resulted in decreased capitalisation of interest costs in the period.

*Profit before income tax* increased by U.S.$133.4 million, or 89.5%, to U.S.$282.4 million in the year ended 31 December 2012 compared to a profit of U.S.$149.0 million in the year ended 31 December 2011. The higher level of profit was driven primarily by increased revenue due to the increase in output from the gas treatment facility.

*Income tax expense* increased by U.S.$53.1 million, or 78.9%, to U.S.$120.4 million in the year ended 31 December 2012 from U.S.$67.3 million in the year ended 31 December 2011 primarily due to the increase in Group's profit before income tax.

*Net income* increased by U.S.$80.4 million, or 98.5%, to U.S.$162.0 million in the year ended 31 December 2012 from U.S.$81.6 million in the year ended 31 December 2011. This higher profitability was driven principally by increased revenue from increased production.

***Comparison of the years ended 31 December 2011 and 2010***

The table below sets forth the line items of the Group's consolidated statement of comprehensive income for the years ended 31 December 2011 and 2010 in U.S. Dollars and as a percentage of revenue.

| | Year ended 31 December 2011 | % of revenue | Year ended 31 December 2010 | % of revenue |
|---|---|---|---|---|
| | *(U.S.$ thousands)* | | *(U.S.$ thousands)* | |
| **Revenue** | 300,837 | 100.0 | 178,159 | 100.0 |
| Cost of sales | (70,805) | 23.5 | (53,860) | 30.2 |
| **Gross Profit** | **230,032** | **76.5** | **124,299** | **69.8** |
| General and administrative expenses | (39,462) | 13.1 | (28,066) | 15.8 |
| Selling and transportation expenses | (35,395) | 11.8 | (17,014) | 9.5 |
| Loss on derivative financial instruments | — | — | (470) | 0.3 |
| Finance costs | (1,660) | 0.6 | (20,495) | 11.5 |
| Foreign exchange (loss)/gain, net | (389) | 0.1 | 46 | 0.0 |
| Interest income | 336 | 0.1 | 239 | 0.1 |
| Other (expenses)/income | (4,490) | 1.5 | 2,234 | 1.3 |
| **Profit before income tax** | **148,972** | **49.5** | **60,773** | **34.1** |
| Income tax expense | (67,348) | 22.4 | (37,873) | 21.3 |
| **Profit for the period** | **81,624** | **27.1** | **22,900** | **12.9** |

*Revenue* increased by U.S.$122.7 million, or 68.9%, to U.S.$300.8 million in 2011 from U.S.$178.2 million in 2010 primarily due to an increase in the average Brent crude oil price of 33.3% and an increase in the output from the gas treatment facility.

The following table shows the Group's revenue and sales volumes for the years ended 31 December 2011 and 2010:

| | Years ended 31 December | |
|---|---|---|
| | 2011 | 2010 |
| Oil and gas condensate (U.S.$ thousands) | 289,947 | 178,159 |
| Gas products (U.S.$ thousands) | 10,890 | — |
| **Total revenue (U.S.$ thousands)** | **300,837** | **178,159** |
| Sales volumes (boe) | 3,397,815 | 2,634,553 |
| Average Brent crude oil price on which Nostrum based its sales (U.S.$/bbl) | 106.87 | 80.15 |

The following table shows the Group's revenue breakdown by export/import for the years ended 31 December 2011 and 2010:

| | Years ended 31 December | |
|---|---|---|
| | 2011 | 2010 |
| | (U.S.$ thousands) | |
| Revenue from export sales | 284,548 | 172,102 |
| Revenue from domestic sales | 16,289 | 6,057 |
| **Total revenue** | **300,837** | **178,159** |

*Cost of sales* increased by U.S.$16.9 million, or 31.5%, to U.S.$70.8 million in 2011 from U.S.$53.9 million in 2010 primarily due to an increase in depreciation and amortisation, repair, maintenance and other services and payroll and related taxes, primarily due to bringing the gas treatment facility online and the commencement of operation of new wells. On a boe basis, cost of sales increased by U.S.$0.39, or 1.9%, to U.S.$20.83 in 2011 from U.S.$20.44 in 2010, and cost of sales net of depreciation per boe increased by U.S.$0.44, or 3.0%, to U.S.$15.12 in 2011 from U.S.$14.68 in 2010.

*Depreciation and amortisation* increased by U.S.$4.3 million, or 28.1%, to U.S.$19.4 million for the year ended 31 December 2011 from U.S.$15.2 million for the year ended 31 December 2010, primarily due to bringing the gas treatment facility online, after which depreciation on such facility commenced under IFRS, and the commencement of operation of new wells.

*Repair, maintenance and other services expenses* increased by U.S.$9.0 million, or 118.4%, to U.S.$16.6 million for the year ended 31 December 2011 from U.S.$7.6 million for the year ended 31 December 2010, mainly due to the increased operations and production related to the gas treatment facility.

*Payroll and related taxes* increased by U.S.$2.6 million, or 39.3%, to U.S.$9.2 million for the year ended 31 December 2011 from U.S.$6.6 million for the year ended 31 December 2010, primarily due to the increased staff required to operate the gas treatment facility and increase in salary rates.

Slightly offsetting the increases in cost of sales were decreases in costs associated with well workover and environmental levies. Well workover costs decreased by U.S.$1.9 million, or 31.9%, to U.S.$4.0 million for the year ended 31 December 2011 from U.S.$5.9 million for the year ended December 2010, primarily due to a decrease in ongoing repair and maintenance of production and exploration wells as work on the current wells was completed in 2010. Environmental levies costs decreased by U.S.$0.8 million, or 49.9%, to U.S.$0.8 million in 2011 from U.S.$1.6 million in 2010 due to less gas flaring in 2011 than in 2010, as the first phase of the gas treatment facility came online.

*General and administrative expenses* increased by U.S.$11.4 million, or 40.6%, to U.S.$39.5 million for the year ended 31 December 2011 from U.S.$28.1 million for the year ended 31 December 2010 due primarily to an increase in management fees (consisting of payment of remuneration of certain senior management employees) and business travel. See "*Related Parties and Related Party Transactions*". Expenses relating to business travel increased by U.S.$3.4 million, or 467.4% to U.S.$4.1 million in 2011 from U.S.$0.7 million in 2010, primarily due to increased travel between Western Europe and Kazakhstan. Management fees increased by U.S.$3.5 million, or 54.9%, to U.S.$9.9 million in 2011, from U.S.$6.4 million in 2010 due to an increase in personnel costs relating to bringing the gas treatment facility online.

*Selling and transportation expenses* increased by U.S.$18.4 million, or 108.0%, to U.S.$35.4 million for the year ended 31 December 2011 from U.S.$17.0 million for the year ended 31 December 2010 driven primarily by an increase of U.S.$17.8 million for transportation costs from U.S.$11.8 million in 2010 to U.S.$29.7 million in 2011 as the Group continued to move away from FCA (free carrier) terms towards DAP (delivered at place) and FOB (free on board) terms as a result of management's decision to build in greater flexibility with respect to the pricing of its products in an effort to maximise profitability. The output of LPG from the gas treatment facility also increased Nostrum's transportation costs due to both the increased volume of LPG produced and the higher costs associated with the specialised transport needs of LPG.

*Finance costs* decreased by U.S.$18.8 million, or 91.7%, to U.S.$1.7 million for the year ended 31 December 2011 from U.S.$20.5 million for the year ended 31 December 2010 primarily due to a decrease in interest expense on borrowing. The interest expense on borrowing decreased by U.S.$19.1 million to nil in 2011, from U.S.$19.1 million in 2010 due to the capitalisation of interest costs in 2011 and higher expenses in 2010 related to the expensing of previously capitalised financing fees paid in 2008 and 2009 under the Syndicated Facility upon its repayment in 2010.

*Profit before income tax* increased by U.S.$88.2 million, or 145.1%, to U.S.$149.0 million for the year ended 31 December 2011 from U.S.$60.8 million for the year ended 31 December 2010 primarily due to increased prices realized on products, as

Brent crude oil prices rose during the year, and increased revenue due to bringing the gas treatment facility online and the commencement of operation of new wells.

*Income tax* expense increased by U.S.$29.5 million, or 77.8%, to U.S.$67.3 million for the year ended 31 December 2011 from U.S.$37.9 million for the year ended 31 December 2010, primarily due to higher profit before income tax generated by the Group in 2011.

*Net income* increased by U.S.$58.7 million, or 256.4%, to U.S.$81.6 million for the year ended 31 December 2011 from U.S.$22.9 million for the year ended 31 December 2010, for the reasons described above.

### *Liquidity and Capital Resources*

#### *General*

During the periods under review, Nostrum's principal sources of funds were cash from operations and amounts raised under the 2015 Bonds and the 2019 Bonds. Its liquidity requirements primarily relate to meeting ongoing debt service obligations (under the 2015 Bonds and the 2019 Bonds) and to funding capital expenditures and working capital requirements.

#### *Cash Flows*

The following table sets forth the Group's consolidated cash flow statement data for the nine months ended 30 September 2013 and 2012.

| | Nine months ended 30 September | |
|---|---|---|
| | 2013 | 2012 |
| | *(unaudited)* *(U.S.$ thousands)* | |
| Net cash flow from operating activities | 230,446 | 237,689 |
| Net cash used in investing activities | (167,375)[1] | (153,452) |
| Net cash used in by financing activities | (101,485) | (23,641) |
| Cash and cash equivalents at the end of period | 159,316 | 185,989 |

(1) Net cash used in investing activities includes U.S.$30 million of bank deposits that are not included in cash and cash equivalents at the end of the nine months ended 30 September 2013 due to the long-term nature of the deposits.

The following table sets forth the Group's consolidated cash flow statement data for the years ended 31 December 2012, 2011 and 2010.

| | Year ended 31 December | | |
|---|---|---|---|
| | 2012 | 2011 | 2010 |
| | | *(U.S.$ thousands)* | |
| Net cash flow from operating activities | 291,825 | 132,223 | 98,955 |
| Net cash used in investing activities | (269,674)[1] | (103,681) | (132,189) |
| Net cash (used in)/ provided by financing activities | 50,390 | (47,350) | 39,710 |
| Cash and cash equivalents at the end of period | 197,730 | 125,393 | 144,201 |

(1) Net cash used in investing activities includes U.S.$50 million of bank deposits that are not included in cash and cash equivalents at the end of 2012 due to the long-term nature of the deposits.

#### *Net cash flows from operating activities*

Net cash flows from operating activities were U.S.$230.4 million for the nine months ended 30 September 2013 as compared to U.S.$237.7 million for the nine months ended 30 September 2012 and were primarily attributable to:

- profit before income tax for the nine months ended 30 September 2013 of U.S.$267.1 million, adjusted by a non-cash charge for depreciation, depletion and amortisation of U.S.$92.2 million, and finance costs of U.S.$32.7 million as compared to profit before income tax for the nine months ended 30 September 2012 of U.S.$217.4 million, adjusted by a non-cash charge for depreciation, depletion and amortisation of U.S.$74.8 million, and finance costs of U.S.$25.2 million;
- a U.S.$69.6 million increase in working capital for the nine months ended 30 September 2013 as compared to a U.S.$46.3 million increase in working capital for the nine months ended 30 September 2012, which was primarily attributable to (i) an increase in receivables of U.S.$69.9 million as compared to U.S.$23.9 million, primarily due the

increase in the size of the cargoes sold by the Group, (ii) an increase in payables of U.S.$1.0 million as compared to a decrease of U.S.$11.5 million, (iii) a decrease in inventories of U.S.$3.1 million as compared to an increase in U.S.$3.9 million and (iv) a decrease in other current liabilities of U.S.$0.8 million as compared to an increase of U.S.$1.4 million, respectively; and

- income tax paid of U.S.$95.7 million for the nine months ended 30 September 2013 as compared to U.S.$31.8 million for the nine months ended 30 September 2012.

Net cash flows from operating activities were U.S.$291.8 million for the year ended 31 December 2012 and were primarily attributable to:

- profit before income tax for the period of U.S.$ 282.4 million, adjusted by a non-cash charge for depreciation, depletion and amortisation of U.S.$102.6 million, and finance costs of U.S.$46.5 million;
- a U.S.$42.2 million increase in working capital primarily attributable to (i) an increase in receivables of U.S.$41.4 million, (ii) a decrease in payables of U.S.$2.7 million, (iii) an increase in inventories of U.S.$10.4 million and (iv) an increase in other current liabilities of U.S.$25.6 million mostly attributable to the tax treatment of the diversified production of the first and second gas treatment units; and
- income tax paid of U.S.$94.2 million.

Net cash flows from operating activities were U.S.$132.2 million for the year ended 31 December 2011 and were primarily attributable to:

- a profit before income tax for the period of U.S.$149.0 million, adjusted by a non-cash charge for depreciation, depletion and amortisation of U.S.$19.8 million;
- a U.S.$25.8 million increase in working capital primarily attributable to (i) an increase in pre-payments of U.S.$6.5 million, (ii) an increase in trade receivables of U.S.$11.0 million, (iii) an increase in inventories of U.S.$8.9 million, (iv) a decrease in advances received of U.S.$8.5 million and (v) partially offset by an increase in accounts payable of U.S.$10.5 million; and
- income tax paid of U.S.$13.2 million.

Net cash flows from operating activities were U.S.$99.0 million for the year ended 31 December 2010 and were primarily attributable to:

- a profit before income tax of U.S.$60.8 million adjusted by (i) a non-cash charge for depreciation and amortisation of U.S.$15.7 million and (ii) accrual of share option expenses of U.S.$3.1 million;
- a U.S.$1.1 million increase in working capital primarily attributable to (i) a decrease in trade receivables of U.S.$12.2 million, (ii) a decrease in trade payables of U.S.$18.6 million and (iii) increase in advances received of U.S.$11.7 million; and
- income tax paid of U.S.$1.8 million.

***Net cash used in investing activities***

The substantial portion of cash used in investing activities is related to the drilling programme and the construction of gas treatment units one, two and three. During the period from 1 January 2010 through 30 September 2013, cash used in the drilling programme represented between 43% and 70% of total cash flow from investment activities. During the period from 1 January 2010 through 30 September 2013, cash used in the construction of gas treatment units one, two and three represented between 14% and 40% of total cash flow from investment activities. Together, drilling and the construction of the gas treatment units represented between 57% and 92% of cash used for investment in property, plant and equipment.

Net cash used in investing activities was U.S.$167.4 million for the nine months ended 30 September 2013 due primarily to the drilling of new wells (U.S.$108.1 million), costs associated with the third gas treatment unit and Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields and the placement of U.S.$30.0 million of cash deposits partially offset by the redemption of U.S.$18.5 million of term bank deposits.

Net cash used in investing activities was U.S.$269.7 million for the year ended 31 December 2012 due primarily to the drilling of new wells (U.S.$116.2 million), investments in the gas treatment facility (U.S.$38.6 million), U.S.$50 million short term bank deposits and costs associated with the first two units of the gas treatment facility and Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields.

Net cash used in investing activities was U.S.$103.7 million for the year ended 31 December 2011 primarily due to investments in the gas treatment facility (U.S.$23.5 million) and the drilling of new wells (U.S.$72.4 million).

Net cash used in investing activities was U.S.$132.2 million for the year ended 31 December 2010 primarily attributable to the drilling of new wells (U.S.$69.2 million) and investments in the gas treatment facility (U.S.$52.5 million).

***Net cash (used in)/provided by financing activities***

Net cash used in financing activities was U.S.$101.5 million for the nine months ended 30 September 2013, primarily attributable to the payment of U.S.$63.2 million in distributions and the interest paid on the Group's 2015 Bonds and 2019 Bonds.

Net cash provided by financing activities was U.S.$50.4 million for the year ended 31 December 2012, primarily attributable to the receipt of proceeds of the 2019 Bonds partially offset by the partial repurchase of the 2015 Bonds at a premium and the payment of U.S.$59.5 million in distributions.

Net cash used in financing activities was U.S.$47.4 million for the year ended 31 December 2011, primarily attributable to the interest paid on the Group's 2015 Bonds.

Net cash provided by financing activities was U.S.$39.7 million for the year ended 31 December 2010, primarily due to the Syndicated Facility being refinanced by a larger principal amount of the 2015 Bonds, which was partially offset by finance costs.

***Indebtedness***

See "*Description of Significant Indebtedness and Certain Financial Arrangements*" for a description of the Existing Bonds.

***Commitments***

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity requirements are monitored on a regular basis and management seeks to ensure that sufficient funds are available to meet any commitments as they arise. The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2012 based on contractual undiscounted payments:

| | Year ended 31 December 2012 | | | | | |
|---|---|---|---|---|---|---|
| | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | More than 5 years | Total |
| | (U.S.$ thousands) | | | | | |
| Borrowings | — | 740 | 51,873 | 277,531 | 639,800 | 969,944 |
| Trade payables | 59,855 | — | — | — | — | 59,855 |
| Other current liabilities | 10,437 | — | — | — | — | 10,437 |
| Due to Government of Kazakhstan | — | 258 | 773 | 4,124 | 13,402 | 18,557 |
| **Total** | **70,292** | **998** | **52,646** | **281,655** | **653,202** | **1,058,793** |

For more information on the Group's commitments regarding the Chinarevskoye, Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye field, see "*Business—Subsoil Licences and Permits*". For the nine months ended 30 September 2013, the Group had additions of explorations and evaluation assets as disclosed in Note 4 to the unaudited interim condensed consolidated financial statements for the nine months ended 30 September 2013.

***Contingent Liabilities***

For a description of the Group's contingent liabilities, please see Note 16 of the unaudited interim condensed consolidated financial statements for the nine months ended 30 September 2013, Note 26 of the audited consolidated financial statements for the year ended 31 December 2012, Note 25 of the audited consolidated financial statements for the year ended 31 December 2011 and Note 23 of the audited consolidated financial statements for the year ended 31 December 2010.

***Capital Expenditures***

In the years ended 31 December 2012, 2011 and 2010, Nostrum's cash used in capital expenditures for purchase of property, plant and equipment (excluding VAT) was approximately U.S.$210.3 million, U.S.$104.0 million and U.S.$132.4 million, respectively, reflecting primarily drilling costs and infrastructure and development costs for the crude oil pipeline, the gas pipeline, the oil treatment unit and the gas treatment facility. This represented 28.5%, 34.6% and 74.3% of revenue, respectively. Nostrum's cash used in capital expenditures for purposes of property, plant and equipment during the first nine months of 2013 was U.S.$154.1 million, compared to U.S.$153.9 million during the first nine months of 2012. The Group

has implemented a capital expenditure programme in which Nostrum has budgeted a cost per well of approximately U.S.$10 million for oil wells and approximately U.S.$14.0 million for gas condensate wells. Nostrum has also budgeted for capital expenditures of approximately U.S.$500 million for the construction of the third unit of the gas treatment facility (U.S.$23 million of which had already been incurred as at 30 September 2013).

In addition, Nostrum has budgeted for capital expenditures of approximately U.S.$1.5 billion to develop its reserves over the next five years (with approximately U.S.$550 million allocated to infrastructure and the remainder to drilling related capital expenditures).

*Drilling Expenditures*

Drilling expenditures amounted to U.S.$116.3 million for the nine months ended 30 September 2013, compared to U.S.$92.3 million for the same period in 2012.

*Gas Treatment Facility*

Following the successful implementation of the first phase of the gas treatment facility, Nostrum is expected to build a third unit for the gas treatment facility (phase two of the gas treatment facility development plan). This will depend on a number of factors such as the ability of Nostrum to convert probable reserves into proved reserves, the oil price environment and the cash flow being generated from the first phase of the gas treatment facility. Management currently estimates that the construction of the third gas treatment unit will cost approximately U.S.$500 million (U.S.$23 million of which had already been incurred as at 30 September 2013). See "*Risk Factors—Risk Factors Relating to the Group's Business—The Group's future hydrocarbon production profile is based principally on its gas treatment facility and to a lesser extent its oil treatment unit operating at full or near full capacity. If these facilities were not operating at full or near full capacity, the Group may not be able to meet its strategic production objectives.*" and "*—Operations—Gas Treatment Facility*".

Nostrum has a hedging policy whereby it hedges against adverse oil price during times of considerable non scalable capital expenditure. Based on the contracts Zhaikmunai LLP has entered in to with various equipment suppliers for third gas treatment unit and the fact that further contracts will be entered into over the coming months Nostrum is closely monitoring the hedging market and may in the near future enter in to a hedge to cover a portion or all of its non-scalable capital expenditure linked to the construction of the third gas treatment unit.

In relation to the construction of the third gas treatment unit, certain key milestones have been achieved by the Group. Nostrum has appointed FIA and Rheinmetall International Engineering GmbH (a 50% subsidiary of Ferrostaal GmbH) as the project manager in charge of managing the engineering, procurement, construction and commissioning of the entire third gas treatment unit project on behalf of Nostrum's subsidiary Zhaikmunai LLP. The FEED study, prepared by Lexington Group International (USA), has been the basis from which FIA's engineering team has developed the project starting in late 2012. As of the date of this Offering Memorandum, Nostrum is in the final stages of procurement and in the initial stages of detailed engineering works. Nostrum has also agreed supply terms with its three suppliers for the supply of equipment totalling approximately U.S.$75 million and anticipates that in the coming weeks procurement terms will be agreed with suppliers for an additional U.S.$60 million of equipment. Nostrum expects that all procurement contracts for major equipment will be signed during the first half of 2014. Based on the current timetable for the construction, the Nostrum expects that the third gas treatment unit will be completed and commissioned by the middle of 2016. Management currently estimates that the total cost of this project will not exceed U.S.$500 million.

*Oil Treatment Units*

Currently Nostrum operates a first crude oil treatment unit, which was built and commissioned at the beginning of 2006. The Group expects to complete a second oil treatment unit by the end of 2015 in order to double its oil treatment capacity. Total capital expenditure for the oil treatment unit is expected to be approximately U.S.$40-50 million.

*Acquisition of Oil and Gas Development Fields*

In the third quarter of 2012, the Group signed purchase agreements for the acquisition of three new licenses in fields near the Chinarevskoye Field for a total purchase price of U.S.$16 million.

On 24 May 2013, the Group notified the Competent Authority of the completion of the acquisition of three development fields, Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye, located in the Pre-Caspian basin to the North-West of Uralsk, approximately 60 to 120 kilometres from the Chinarevskoye Field. Nostrum has estimated that it will cost approximately U.S.$85 million to conduct the necessary appraisal activities for the development of these fields, which has begun in 2013 initially through 3D seismic acquisition. See "*Business—Subsoil License and Permits*". On 9 August 2013, the Rostoshinskoye oilfield appraisal period was extended to 8 February 2015.

## Disclosure about Market Risk

The Group is exposed to a variety of market risks with respect to the market price of crude oil and condensate, foreign currency exchange rates, interest rates and the creditworthiness of the counterparties with whom Nostrum expects payments under normal commercial conditions.

### *Commodity price risk*

Commodity price risk is the risk that the Group's current or future earnings will be adversely impacted by changes in the market price of crude oil and other hydrocarbons commodities. Commodity price risk is extremely significant to the Group's results of operations given that all sales of the Group's products are based on the commodity price in the relevant market. Commodity prices are influenced by factors such as OPEC actions, political events and supply and demand fundamentals. Although the Group enters into hedging contracts, these only partially protect the Group against decreases in commodity prices from their current levels. The Group intends to keep the same hedging policy going forward.

### *Foreign currency exchange rate risk*

The Group is exposed to foreign currency risk associated with transactions entered into, and assets and liabilities denominated, in currencies other than the functional currency of its operating entities, being the U.S. dollar since 1 January 2009. This exposure is primarily associated with transactions, contracts and borrowings denominated in Tenge. Most of the Group's cash inflows as well as its accounts receivable are denominated in U.S. Dollars, and most of the Group's expenses are primarily denominated in U.S. Dollars, with approximately 40% to 45% denominated in Tenge. Thus, Tenge appreciation would adversely impact results. There is no significant forward market for the Tenge and the Group does not use other foreign exchange or forward contracts to manage this exposure.

With respect to foreign exchange, the Group incurred a loss of U.S.$436 thousand in the nine months ended 30 September 2013 (compared to a gain of U.S.$641 thousand in the nine months ended 30 September 2012), a gain of U.S.$776 thousand in the year ended 31 December 2012, a loss of U.S.$389 thousand in the year ended 31 December 2011 and a gain of U.S.$46 thousand for the year ended 31 December 2010. The Group does not hedge against this risk. As at the date of this Offering Memorandum, all of the Group's financing is in U.S. Dollars and in the future the Group's capital expenditures are expected to be primarily denominated in U.S. Dollars.

### *Interest rate risk*

The Group's interest rate risk principally relates to interest receivable and payable on its cash deposits and borrowings. During the periods under review, the Group's existing borrowings have borne interest at (i) a fixed rate under the 2015 Bonds and the 2019 Bonds, (ii) a fixed margin over LIBOR as stated in the Syndicated Facility and (iii) a variable rate credit facility linked to the London Interbank Offered Rate as stated in the Syndicated Facility.

### *Credit risk*

Nostrum's policy is to mitigate the payment risk on its off takers by requiring all purchases to be prepaid or secured by a letter of credit from an international bank.

## Current Trading and Recent Developments

### *Operational and Financial Update*

For the year ended 31 December 2013, the Group had total revenue of U.S.$895 million as compared to U.S.$737 million for the year ended 31 December 2012. For the year ended 31 December 2013, the Group estimates EBITDA to be above U.S.$500 million as compared to U.S.$457 million for the year ended 31 December 2012. As at 31 December 2013, the Group estimates cash (cash and cash equivalents, restricted cash, short-term and non-current deposits) to be above U.S.$230 million as compared to U.S.$251 million as at 31 December 2012. For the year ended 31 December 2013, the Group estimates the net debt to be below U.S.$400 million and net debt to EBITDA ratio of 0.8x.

The table below sets forth Nostrum's production for the years ended 31 December 2013 and 2012.

| | Year ended 31 December | |
|---|---|---|
| | 2013 | 2012 |
| Total average production (boepd) | 46,178 | 36,940 |
| Crude oil & stabilised condensate average production (boepd) | 19,847 | 15,764 |
| LPG average production (boepd) | 4,259 | 2,940 |

| | Year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| Dry gas average production (boepd)................................................................ | 22,535 | 18,237 |

In relation to the construction of the third gas treatment unit, certain key milestones have been achieved by the Group. Nostrum has appointed FIA and Rheinmetall International Engineering GmbH (a 50% subsidiary of Ferrostaal GmbH) as the project manager in charge of managing the engineering, procurement, construction and commissioning of the entire third gas treatment unit project on behalf of Nostrum's subsidiary Zhaikmunai LLP. The FEED study, prepared by Lexington Group International (USA), has been the basis from which FIA's engineering team has developed the project starting in late 2012. As of the date of this Offering Memorandum, Nostrum is in the final stages of procurement and in the initial stages of detailed engineering works. Nostrum has also agreed supply terms with its three suppliers for the supply of equipment totalling approximately U.S.$75 million and anticipates that in the coming weeks procurement terms will be agreed with suppliers for an additional U.S.$60 million of equipment. Nostrum expects that all procurement contracts for major equipment will be signed during the first half of 2014. Based on the current timetable for the construction, the Nostrum expects that the third gas treatment unit will be completed and commissioned by the middle of 2016. Management currently estimates that the total cost of this project will not exceed U.S.$500 million.

***Probel Acquisition***

On 30 December 2013, ELATA Burgerlijke Maatschap, Petra Noé, Frank Monstrey and Co-op entered into a purchase agreement for the acquisition by the Group from related parties of the entire issued share capital of Probel Capital Management N.V. for a consideration of €21.07 million. See "*Related Parties and Related Party Transactions—Service Agreements*".

***Tenth Supplementary Agreement***

On 28 October 2013, the Competent Authority signed the tenth supplementary agreement to the PSA in relation to the Chinarevskoye field. Among other items, this agreement contains the extension of Nostrum's exploration period, other than for the Tournaisian horizons, to 26 May 2014. The Directors believe this will provide sufficient time for the Group to carry out its planned exploration programme before submitting the results to the State.

***Other Developments***

On 29 November 2013, the limited partners of Zhaikmunai LP duly approved a change in Zhaikmunai LP's name to "Nostrum Oil & Gas LP". See "*Summary—Corporate Structure*". In addition to the name change, as previously announced, the Group continues to explore a possible premium listing on the London Stock Exchange and other alternatives to the current GDR listing. In conjunction with a possible alternative listing, the Group requested a waiver of the State pre-emptive right and consent from the Ministry of Oil and Gas in Kazakhstan for certain corporate restructurings contemplated for such a listing. On 30 December 2013, the Group received such waiver and consent from the Ministry of Oil and Gas in Kazakhstan. The Group currently intends to implement this corporate reorganisation in the first half of 2014, with the approval of the Group's limited partners. In addition, it is expected that the Group will enter into an agreement to acquire Amersham for EUR1.69 million. See "*Related Parties and Related Party Transactions—Service Agreements*".

Mr. Heinz Wendel was appointed General Director of Zhaikmunai LLP on 13 August 2013. Mr. Wendel is an experienced oil and gas professional with extensive management and technical experience. In early 2012, he joined Zhaikmunai LLP as Chief Operating Officer. Mr. Wendel is assuming his new role following a planned handover from former General Director, Vyacheslav Druzhinin, who held this position since March 1997. Mr. Druzhinin has been appointed as a Director of Governmental Affairs for Zhaikmunai LLP. Mr. Aman Sanatov has succeeded Mr. Wendel as Chief Operating Officer of Zhaikmunai LLP. In addition, on 1 November 2013, Mr. Gernot Voigtländer was appointed Deputy General Director (for reservoir engineering) of Zhaikmunai LLP.

## REGIONAL OVERVIEW OF THE OIL AND GAS INDUSTRY

The information contained in this section is intended to give an overview of the upstream oil and gas industry in Kazakhstan and the Caspian region. This information has, unless otherwise stated, been extracted from documents, websites and other publications released by the President of Kazakhstan, the Statistics Agency of Kazakhstan, the Ministry of Finance of Kazakhstan, the Competent Authority and other public sources.

Some of the market and competitive position data has been obtained from US government publications and other third-party sources, including publicly available data from the World Bank, the Economist Intelligence Unit, the annual BP Statistical Review of World Energy for 2013, as well as from Kazakh press reports and publications, and edicts and resolutions of the Kazakh Government. In the case of statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source.

Certain sources are only updated periodically. This means that certain data for current periods cannot be obtained and we cannot assure you that such data has not been revised or will not be subsequently amended.

### Overview

The Caspian region includes those parts of the countries (including Russia and Iran) that are adjacent to the Caspian Sea. A part of Uzbekistan is also considered to be part of the Caspian region due to its proximity to the Caspian Sea. To date, the two significant crude oil producing countries in the Caspian region have been Kazakhstan and Azerbaijan. It is expected that these countries will continue to lead the region in crude oil production in the near future, driven by production growth from existing fields and the development of recently discovered fields. Turkmenistan and Uzbekistan are the predominant gas producers in the Caspian region but do not produce significant crude oil volumes relative to Kazakhstan and Azerbaijan. In addition, the areas of Russia and Iran near the Caspian Sea are not a source of substantial crude oil production for these countries. Russia, however, plays an important role in the region by providing a transportation corridor between the Caspian Sea and the Black Sea.

#### *Investment in Kazakhstan's Oil and Gas Industry*

Since 2000, Kazakhstan has experienced significant economic growth. Two of the main catalysts for this growth have been economic reform and foreign investment, much of which has been concentrated in the energy sector. Exports of crude oil have grown significantly since 2000 and most of the oil from Kazakhstan is currently delivered to international markets by pipelines through Russia to shipping points on the Black Sea. The opening of the Caspian Pipeline Consortium ("**CPC**") pipeline in 2001 substantially increased Kazakhstan's crude oil export capacity.

International investment in the Kazakh oil and gas sector has largely taken the form of joint ventures, including cooperation with the state-owned oil and gas company JSC National Company KazMunayGas ("**NC KMG**"), as well as production sharing agreements and direct grants of exploration/production rights to subsoil users. Major projects in Kazakhstan include the Tengiz, Karachaganak and Kashagan fields. Tengizchevroil LLP ("**TCO**"), a joint venture between ChevronTexaco, ExxonMobil, Lukarco and NC KMG, is developing the Tengiz and Korolevskoye oil fields pursuant to a production licence granted in 1993. This production licence was initially granted for 10 years, but can be extended by TCO for up to a total of 40 years; it was extended by TCO in 2003. In April 2013, ChevronTexaco announced an intention to request an extension of the license up to 2070. Karachaganak Petroleum Operations ("**KPO**"), which is developing the Karachaganak field, operates under a 40-year final production sharing agreement entered into with the Kazakh Government in 1997. The Kashagan consortium, which is developing the Kashagan field, was also established in 1997 under a 40-year production sharing agreement with the Kazakh Government, covering oil structures in Kashagan, Kalamkas, Aktoty and Kairan.

In May 2003, President Nazarbayev approved a Caspian Sea development programme (currently not in effect) through the year 2015, which created new offshore blocks (potential oil fields) that were auctioned by the Competent Authority between 2003 and 2010. NC KMG has a mandatory share of at least 50% in all projects related to the new offshore blocks.

In December 2004, certain amendments to the Old Subsoil Law were adopted. The amendments provided that the State has a pre-emptive right, in the case of a proposed transfer of an interest under both existing and new contracts for subsoil use, to purchase such interest on terms no worse than those agreed by the parties to the proposed transfer. Such an interest can be direct or indirect, for example, through the sale of shares in an entity holding such contract for subsoil use.

In August 2007, the Kazakh Government claimed that the Kashagan consortium had breached certain provisions of its licence and environmental regulations, and consequently suspended the consortium's activities. A settlement reached in January 2008 resulted in the terms of the production sharing agreement being revised in favour of NC KMG such that the share interest of NC KMG doubled. The settlement also required the other members of the consortium to pay U.S.$5 billion to NC

KMG until the end of the concession in 2041. See "*Risk Factors—Risk Factors Relating to Kazakhstan—The Group is exposed to the risk of adverse sovereign action by the Kazakh Government*". Phase I of Kashagan's development, known as the Experimental Programme, commenced production in September 2013, but was suspended due to an accident at the pipeline and is expected to re-commence in 2014. On 3 November 2007, additional amendments to the Old Subsoil Law became effective. These amendments provided the Competent Authority with the right to initiate reviews of subsurface use contract terms and to unilaterally terminate subsurface use contracts in respect of deposits of "strategic importance". See "*Regulation in Kazakhstan—Regulation of subsoil use rights*". The Old Subsoil Law has been replaced by the New Subsoil Law which was adopted on 24 June 2010. See "*Regulation in Kazakhstan—Regulation of subsoil use rights in Kazakhstan—New Subsoil Law*".

***Oil Supply and Demand***

According to BP's Statistical Review of World Energy 2013, as at 31 December 2012, Kazakhstan ranked twelfth in the world by oil reserves and twenty first in the world by gas reserves. Kazakhstan is the second largest oil producer (after Russia) among the former Soviet Republics and has the Caspian region's largest recoverable oil reserves. Kazakhstan's proved oil and gas reserves were 3.9 billion tonnes (representing 1.8% of the world's proved oil reserves) and 1.3 trillion cubic metres (representing 0.7% of the world's proved gas reserves), respectively, as at 31 December 2012.

According to BP's Statistical Review of World Energy 2013, between 2001 and 2012, Kazakhstan's oil production grew at a compounded annual growth rate of approximately 6.8%. Kazakhstan produced approximately, 81.6 million tonnes of oil and gas condensate in 2010, 82.4 million tonnes in 2011, and 81.3 million tonnes in 2012, a decrease of 1.3% from 2011. During the first half of 2013 the industrial output of crude oil and natural gas increased by 3.1% compared to a 3.7% decrease during the same period in 2012. The Kazakh Government has stated that it expects oil and gas production to increase to 150 million tonnes per year and 79.4 billion cubic metres per year in 2015. Most of this growth is expected to come from the Tengiz, Karachaganak and Kashagan fields.

According to BP's Statistical Review of World Energy 2013, the Asia Pacific region was the world's largest geographical region for oil consumption in 2012, accounting for approximately 33.6% of world consumption. The United States was the largest consumer of oil by country in 2012, accounting for 19.8% of world consumption of oil. Europe together with the former Soviet Republics represented the world's largest geographical region for the consumption of natural gas in 2012, accounting for 32.6% of world consumption. The United States was the largest consumer of natural gas by country, accounting for 21.9% of world consumption in 2012.

Kazakhstan has three major oil refineries supplying the northern region (at Pavlodar), the western region (at Atyrau) and the southern region (at Shymkent), with an estimated total refining capacity of 345,1000 barrels per day as at 1 January 2013. All three major refineries are either in the control or joint control of NC KMG. Crude oil is also processed at mini refineries (private small refineries).

In 2012, all three refineries together produced approximately 10.7 million tonnes of crude oil products (approximately 4.0 million tonnes at Pavlodar, 3.3 million tonnes (81,900 bopd) at Atyrau, 3 million tonnes at Shymkent).

The refinery at Pavlodar is supplied mainly by crude oil from western Siberia; the Atyrau refinery runs solely on domestic crude from the western region of Kazakhstan; and the Shymkent refinery generally uses oil from the southern region of Kazakhstan. The Atyrau refinery is undergoing modernisation to provide some additional capacity and to allow the refinery to meet current European fuel standards.

***Gas Supply and Demand***

Kazakhstan is a net exporter of gas. Increases in its own gas production are expected to come primarily from associated gas at the Tengiz, Karachaganak and Kashagan fields. Most of Kazakhstan's gas reserves are located in the west of the country near the Caspian Sea, with more than half of those reserves located in the Karachaganak field. Another important gas field, Amangeldy, is situated in the south of the country and is being developed by KazTransGas, a subsidiary of NC KMG.

Gas production in Kazakhstan has increased significantly since 2004 when the Parliament passed a law prohibiting the industrial production of oil and gas deposits without the utilization of natural and associated gas. As a result, gas production in 2000 reached 8.2 billion cubic metres, the highest level since independence in 1991. Gas production increased from 19.3 billion cubic metres in 2011 to 19.7 billion cubic metres in 2012, an increase of 2%.

According to the projections of the Competent Authority, Kazakhstan expects to increase its gas production to 79.4 billion cubic metres per year by 2015.

The following table sets forth gas consumption levels in Kazakhstan for the years indicated:

| Gas Consumption | | | | |
|---|---|---|---|---|
| 2008 | 2009 | 2010 | 2011 | 2012 |
| | | *(billion cubic metres per year)* | | |
| 8.1 | 7.8 | 8.2 | 9.2 | 9.5 |

### *Transportation*

An important aspect of increasing hydrocarbon production in Kazakhstan has been the development of transportation infrastructure, as this in turn has raised Kazakhstan's export capacity.

#### *Crude Oil*

Historically, the lack of pipeline capacity providing access to international markets has impeded Kazakhstan's ability to exploit its oil reserves. In 2012, Kazakhstan had 20,238 kilometres of pipeline of which 7,920 were used for the transportation of oil. The three main pipelines are the Uzen-Atyrau-Samara ("**UAS**") pipeline, the CPC pipeline, and the Kazakhstan-China pipeline. Kazakhstan transported by pipelines approximately 214.1 million tonnes of product in 2011 and 213.2 million tonnes of crude oil in 2012. Since Kazakhstan is landlocked, the pipelines have to travel through neighbouring countries to reach international markets.

The CPC pipeline, which has been operational since 2001, represents a major export route. It extends 1,510 kilometres, originating in the Tengiz field, running through Russia and terminating at the CPC marine terminal on the Black Sea near the Russian port of Novorossiysk. The CPC pipeline is the first major pipeline in Russian territory not wholly owned by the Russian pipeline operator Transneft. In 2011, the CPC shareholders launched an expansion project which targets to increase the pipeline's capacity to 67 million tones and is expected to be completed in three stages with the third stage completed by 2014. The consortium transported an average of 614,000 barrels per day of oil in 2012 and approximately 581,000 barrels per day between January and September 2013.

The UAS pipeline transports oil from fields in the Atyrau and Mangistau regions to Russia. The pipeline system runs for approximately 1,500 kilometres, from Uzen in southwest Kazakhstan to Atyrau, before crossing into Russia and linking with Russia's Transneft system at Samara. In June 2002, Kazakhstan signed a 15 year oil transit agreement with Russia. Under this agreement, Kazakhstan will export at least 17.5 million tonnes of crude oil per year using the Russian pipeline system. The line was upgraded in 2009 with the addition of pumping and heating stations and has a capacity of approximately 600,000 bopd. Before completion of the CPC pipeline, Kazakhstan exported almost all of its oil through this system.

The 1,768 kilometre Baku-Tbilisi-Ceyhan pipeline delivers crude oil from Baku in Azerbaijan to a new marine terminal in the Turkish port of Ceyhan on the Mediterranean Sea and is the first direct pipeline link between the Caspian Sea and the Mediterranean Sea. Construction of the pipeline was completed in May 2005 and it began operating in July 2006, costing approximately U.S.$4 billion. Pipeline facilities include eight pump stations, two intermediate pigging stations, one pressure reductions statement and 101 small block valves. It has a capacity of 1 million bopd. The pipeline is largely dedicated to production from the Azeri-Chirag-Gunashli fields in the Azerbaijan sector of the Caspian Sea, however since October 2008, the Baku-Tbilisi-Ceyhan pipeline has been used to transport Kazakhstan crude oil shipped across the Caspian Sea to Baku by tanker. The volume of Kazakh oil transported via the Baku-Tbilisi-Ceyhan pipeline has been steadily increasing since October 2008 when Kazakhstan began to use the route. According to the State Statistical Committee of Azerbaijan, of Kazakh oil volume increased from 17,400 tonnes in October 2008 to 240,200 tonnes in February 2009. In 2009, the Baku-Tbilisi-Ceyhan pipeline transported 1.9 million tonnes of Kazakh crude oil, according to the State Statistical Committee of Azerbaijan. However, Kazakhstan stopped the transport of Kazakh oil via the Baku Tbilisi Ceyhan pipeline in January 2010. Based on recent statements of Kazakhstan Oil and Gas Minister, Kazakhstan is likely to resume transportation of oil through the pipeline in the future, pending agreement of reasonable commercial terms. Estimates for the volume of oil to be transported through this pipeline are currently at 4 million tonnes for 2014.

On 28 May 2008, Kazakhstan ratified the Treaty between Kazakhstan and the Azerbaijan Republic dated 16 June 2006 on the support and facilitation of petroleum transportation from Kazakhstan through the Caspian Sea and the territory of the Azerbaijan Republic to international markets via the Baku-Tbilisi-Ceyhan system. In order to facilitate exports of oil from the Kashagan oil field during the next decade, Kazakhstan is currently developing the Kazakhstan-Caspian Transportation System ("**KCTS**"), which includes the construction of a 515 mile, 600,000 bopd capacity onshore pipeline from Eskene in western Kazakhstan to Kuryk on the Caspian near Aqtau, where a new 760,000 bopd oil terminal is to be built. The system also includes a maritime link to Baku, Azerbaijan, new port facilities and a transfer station in Baku, where the crude oil will be transferred into an expanded BTC pipeline to Turkey. The total cost of the KCTS is estimated to cost U.S.$4 billion. On 14 November 2008, the State Oil Company of the Azerbaijan Republic and NC KMG signed an agreement on key principles

of the KCTS. While still preliminary, it is the first practical move to create a system with defined conditions of supplies, tariffs and other matters, guiding the trans-Caspian transportation of oil. The implementation period, stages and system capacity of KCTS are expected to be linked to the second and third phases of Kashagan's development.

The Kazakhstan-China pipeline comprises two existing Soviet era pipeline sections and three major new pipeline sections with a total length of around 2,800 kilometres from Atyrau in western Kazakhstan to Alashankou on the Kazakhstan-China border. At the Chinese border the pipeline links in to the infrastructure in the Xinjiang Gansu province in North-West China. The pipeline has been built in several stages:

- The first section was the 449 kilometre Kenkiyak-Atyrau section which was completed in 2003. Oil is temporarily flowing westwards, allowing export of Aktobe region oil through the CPC and Atyrau-Samara pipelines. The plan is that this section will be reversed to allow oil production from the Caspian region to travel through the line and onwards to China.
- The 965 kilometre Atasu-Alashankou section began commercial operation in July 2006. The pipeline allows oil from Kazakhstan's south Turgai basin and Russia to be exported to China.
- The 794 kilometre Kenkiyak-Aralsk-Kumkol section was completed in July 2009 and began commercial operation in October 2009. It is sourced with oil from the Kenkiyak area fields (Aktobe region).
- The 626 kilometre Kumkol-Atasu section, which became operational in 1983. It was reconstructed and its capacity increased through the addition of pumping station.

The overall capacity of the pipeline to China was 200,000 bopd, which increased to 240,000 bopd in 2012 and there are plans to expand this to 400,000 bopd by 2014. The capacity of the Kenkiyak-Atyrau section is lower, at 120,000 bopd, and there are plans to expand the capacity of this section to 180,000 bopd and then later to 240,000 bopd.

The timing of the reversal of the Kenkiyak-Atyrau section is uncertain, and the decision to reverse the line will be made by the Kazakh Government. It is likely that this will happen once there is sufficient throughput capacity for all production from fields in the Kenkiyak Area to be exported eastwards, which is expected to be in 2014.

Other pipeline routes from Kazakhstan are being considered, such as routes through the Caucasus region to Turkey and routes through Iran and Afghanistan.

Rail transportation was the primary export route for Kazakhstan crude production before the development of the UAS and CPC pipelines and it remains as an alternative transportation option.

*Natural Gas*

Out of the 20,230 kilometres of pipeline that Kazakhstan had in 2012, 12,318 kilometres were used for the transportation of gas (which is mostly transit gas from neighbouring countries).

Most of the gas pipelines in western Kazakhstan, with the exception of Makat-Atyrau-Astrakhan, are designed to provide gas to CAC. The pipeline has two branches that meet in the South-Western Kazakh city of Beyneu before crossing into Russia and connecting to the Russian pipeline system. The eastern branch of the pipeline originates in the south eastern gas field of Turkmenistan, while the western branch originates on the Caspian seacoast of Turkmenistan. The annual throughput capacity of the eastern branch of the pipeline is 6.4 bcf/d whilst capacity at the western branch stands at 500 mmcf/d.

In December 2010, Kazakhstan commenced the construction of the Beineu-Bozoi-Shymkent gas pipeline designed to transport gas from West Kazakhstan for use in the southern regions of Kazakhstan and export to China. The first phase of the project, comprising the Bozoi-Shymkent pipeline with a throughput capacity of 6 billion cubic metres per year, is expected to be completed by 2014. The second phase of the project, comprising the Beineu-Bozoi pipeline, which will increase throughput capacity to 10.0 billion cubic metres per year, is expected to be completed by 2015.

The Bukhara Urals gas pipeline originates in Uzbekistan and was initially built to supply gas from Uzbekistan to North-East Kazakhstan and Russia's southeast Urals region. Gas flows along the pipeline are variable and, at times, the pipeline transfers gas southwards from Russia. The annual throughput capacity (which is largely unused) of the Bukhara Urals gas pipeline is approximately 770 mmcf/d.

Bukhara-Tashkent-Bishkek-Almaty is a transit gas pipeline that provides gas from Uzbekistan to Kazakhstan's main southern population centre. Between Shymkent and Almaty, the line crosses Kyrgyz territory to supply Bishkek, the Kyrgyz capital. The annual throughput capacity of the Bukhara-Tashkent-Bishkek-Almaty gas pipeline is 250 mmcf/d.

## Major Oil and Gas Projects in Kazakhstan

### *TCO*

The TCO joint venture was created in 1993 with the aim of developing the Tengiz and Korolev fields. The participants in the joint venture are Chevron Overseas Company, ExxonMobil, NC KMG and LukArco.

The Tengiz field is located in the South-Eastern part of the Pre-Caspian Basin on the North-Eastern edge of the Caspian Sea. It was discovered in 1979 in the Atyrau region. The Tengiz and Korolev fields have estimated recoverable reserves of between 750 million tonnes (5.5 billion barrels) and 1,100 million tonnes (8.1 billion barrels) of oil. In 2004, 13.7 million tonnes (276,000 bopd) of oil were produced at the Tengiz field, as compared to 13.6 million tonnes (274,000 bopd) in 2005, and 20.0 million tonnes (403,000 bopd) in 2006. In late 2007, TCO was producing approximately 300,000 bopd of oil and 11.2 million cubic metres of gas per day. In 2008, TCO's production reportedly reached 17.3 million tonnes of crude oil. In October 2008, when the sour gas injection and second generation plant expansion were completed, daily production capacity was increased to 540,000 bopd. Production of oil for 2012 amounted to 193 million barrels. The Future Growth Project is the next major expansion of oil production in Tengiz, aiming to increase oil production to approximately 36 million tonnes (720,000 bopd). The output of the Tengiz field is shipped through the CPC pipeline with CPC's planned capacity increase supporting Tengiz's expected production increase from the Future Growth Project. Shipments are also being shipped through the Baku-Tbilisi-Ceyhan pipeline, as well as via rail to Odessa, Feodosiya, Aktau, and then further to Batumi and Kulevi.

### *Karachaganak Project*

The Karachaganak field is a large gas condensate field located in North-Western Kazakhstan, with an area of about 280 square kilometres. The field was discovered in 1979 and the consortium developing it are party to a 40-year production sharing agreement with the Kazakh Government. The field is operated by KPO and the consortium includes affiliates of ENI SpA, BG Group, Chevron, LUKOIL Overseas and NC KMG. BG Group, together with ENI are joint operators and each hold a 29.25% interest in the venture.

The Karachaganak field is Kazakhstan's main gas field. In 2012, it accounted for approximately 45% of Kazakhstan's gas production and around 16% of total liquids production. The field holds an estimated 9 billion barrels of gas condensate and 48 trillion cubic feet of gas. In 2011, Karachaganak's total production was approximately 11.0 million tonnes (approximately 492,000 bopd) of oil and condensate and 8.0 million cubic metres of gas. In 2012, Karachaganak's total production was approximately 139.5 million barrels of oil equivalent of stabilised and unstabilised liquid hydrocarbons, gas and fuel gas.

In previous years, almost all of Karachaganak's crude oil production was processed at Russian facilities associated with the Orenburg field located just across the border. In April 2003, a pipeline spur southward to Atyrau was completed that connects the Karachaganak field to Kazakhstan's primary export pipeline, the CPC pipeline. The new connection has enabled increased exports from Karachaganak, and has reduced the consortium members' dependence on Russian buyers.

In 2009, the Kazakh Government made various allegations in respect of the operation of the Karachaganak Project by the KPO consortium, including criminal behaviour and tax evasion. In 2011, an agreement was reached that involved the transfer of a 10% stake in the KPO consortium to the Kazakh Government and the allocation of an additional 2 million tonnes per year capacity in the CPC pipeline. The transfer of the 10% stake was completed in June 2012.

### *North Caspian Project*

The Kashagan field is located off the northern shore of the Caspian Sea, near the city of Atyrau. In 1997, a consortium of companies signed a 40-year production sharing agreement covering five structures, namely Kashagan, Kalamkas, Aktoty, Kairan and Kashagan SW. The structures consist of 11 offshore blocks and cover an area of 5,600 square kilometres. In June 2000, as a result of drilling and testing of wells in East Kashagan 1, workers found one of the largest oil and gas fields to be discovered in the last 30 years. The field is currently in development and its output is expected to be shipped through the CPC pipeline. The project is owned by the North Caspian Operating Company (NCOC) which is a consortium that includes ENI SpA, ExxonMobil Corporation, Shell, Total S.A., INPEX Corporation and NC KMG. The consortium has been operating the project since 23 January 2009, but NCOC delegates its responsibilities to four agent companies (Agip KCO, Shell Development Kashagan B.V. (SDK), ExxonMobil Kazakhstan Inc., and NC KMG), which are responsible for managing the project. In August 2007, the licence granted to the consortium was suspended by the Kazakh Government for alleged breaches of Kazakh environmental regulations. A settlement reached in January 2008 resulted in the terms of the production sharing agreement being revised in favour of NC KMG such that the share interest of NC KMG doubled. The settlement also required the other members of the consortium to pay U.S.$5 billion to NC KMG until the end of the concession in 2041. The budget for the development of the Kashagan oilfield on Kazakhstan's Caspian Sea shelf in 2010 was reduced by U.S.$3 billion. See "*Risk Factors—Risk Factors Related to the Oil and Gas Industry—The Group is obliged to*

*comply with environmental regulations and cannot guarantee that it will be able to comply with these regulations in the future*".

In May 2012, the partners of NCOC and the Production Sharing Agreement Authority of Kazakhstan, the entity representing Kazakhstan in the NCOC PSA as an authority, reached an agreement on the amendment to the Kashagan development plan and budget that was necessary for the update of the development project's schedule and investment estimates. The NCOC partners also agreed to a commercial framework to contract a share of natural gas produced from Kashagan for domestic marketing. Phase I of Kashagan's development, known as the Experimental Programme, commenced production in September 2013, but was suspended due to an accident at the pipeline and is expected to re-commence in 2014.

In November 2012, ConocoPhillips announced its intended disposal of a 8.4% interest in the project to a third party. In July 2013, the Kazakh Government decided to exercise its statutory pre-emptive right to acquire the interest disposed. The acquisition was completed in October 2013. On 1 August 2013, the NCOC partners announced that in July 2013 operational testing activities started at offshore production facilities. In September 2013, production commenced. However, it was suspended due to a leak in the pipeline which ran from the artificial D island to the Bolashak processing plant situated onshore. Production commenced soon after, but further leaks have once again suspended production.

# BUSINESS

## Overview

Nostrum is an independent oil and gas enterprise engaged in the exploration and production of oil and gas products in North-Western Kazakhstan. Nostrum, through its indirectly wholly-owned subsidiary Zhaikmunai LLP, is the owner and operator of four fields in Kazakhstan, the Chinarevskoye Field and the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye development fields. The Group's primary field and Licence area is the Chinarevskoye Field located in the northern part of the oil-rich Pre-Caspian Basin.

For the nine months ended 30 September 2013, the Group had total revenue, EBITDA and net cash flows from operating activities of U.S.$657 million, U.S.$412 million and U.S.$230 million, respectively. For the year ended 31 December 2012, the Group had total revenue, EBITDA and net cash flows from operating activities of U.S.$737 million, U.S.$457 million and U.S.$292 million, respectively. The Group had average daily production of 45,414 boepd and 36,940 boepd for the nine months ended 30 September 2013 and the year ended 31 December 2012, respectively.

The Chinarevskoye Field, approximately 274 square kilometres in size, is located in the West-Kazakhstan oblast, near the border between Kazakhstan and Russia, and close to the main international railway lines in and out of Kazakhstan as well as to several major oil and gas pipelines. The Chinarevskoye Field has been Nostrum's only source of production from 2007 to date. Based on the 2013 Ryder Scott Report, as at 31 August 2013, the estimated gross proved plus probable hydrocarbon reserves at the Chinarevskoye Field were 483.3 million boe, of which 193.2 million bbl was crude oil and condensate, 72.4 million bbl was LPG and 216.8 million boe was sales gas. According to the 2013 Ryder Scott Report, the Chinarevskoye Field also contains approximately 76.2 million boe of gross possible hydrocarbon reserves.

Nostrum's operational facilities are located in the Chinarevskoye Field and consist of an oil treatment unit capable of processing 400,000 tonnes per year of crude oil, multiple oil gathering and transportation lines including an oil pipeline from the field to its oil loading rail terminal in Rostoshi near Uralsk, a 17 kilometre gas pipeline from the field to the Orenburg-Novopskov pipeline, a gas powered electricity generation system, warehouse facilities, an employee field camp and the gas treatment facility. The first phase of the gas treatment facility, consisting of two units, became fully operational in 2011 and has enabled Nostrum to produce marketable liquid condensate (a product lighter than Brent crude oil) and LPG from the gas condensate stream.

Following the successful completion of the first phase of the gas treatment facility, consisting of two units, Nostrum intends to build a third unit for the gas treatment facility by mid-2016. Management currently estimates that the total cost of this project will not exceed U.S.$500 million (U.S.$23 million of which had already been incurred as at 30 September 2013) and will be funded by cash from operations.

On 24 May 2013, the Group notified the Competent Authority of the completion of the acquisition for U.S.$16 million of three oil and gas development fields, Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye, also located in the Pre-Caspian basin to the North-West of Uralsk, approximately 60 to 120 kilometres from the Chinarevskoye Field. These development fields are approximately 139 square kilometres in size. According to the 2013 Ryder Scott Report, as at 31 August 2013, the estimated net probable hydrocarbon reserves at these three fields were 98.2 million boe with an additional 33.6 million boe of net possible hydrocarbon reserves.

## Key Strengths

The Directors believe that the key strengths of the Group are as follows:

- *Substantial reserve base*

  According to the 2013 Ryder Scott Report, as at 31 August 2013, the estimated gross proved plus probable hydrocarbon reserves at the Chinarevskoye Field were 483.3 million boe. These estimated reserves comprise proved crude oil and gas condensate reserves of 79.5 million bbl and 113.7 million bbl of probable crude oil and gas condensate reserves, together with 90.2 million boe of proved gas reserves and probable gas reserves of 127.5 million boe and 29.5 million boe of proved LPG reserves and probable LPG reserves of 42.9 million boe. In addition, according to the 2013 Ryder Scott Report, the estimated net probable hydrocarbon reserves at the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields were 98.2 million boe as at 31 August 2013.

- *Proven ability to develop and replenish existing reserves*

  According to management estimates based on data included in reserves reports prepared by Ryder Scott, since 1 January 2004 Nostrum has increased its gross proved hydrocarbon reserves from 28 million boe to 199.2 million boe, as at 31 August 2013, as well as increasing its probable hydrocarbon reserves from 170 million boe to 382.3 million boe (including the gross probable reserves attributable to the Chinarevskoye

Field and the net reserves attributable to the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields), as at 31 August 2013. This has been achieved through ongoing appraisal and exploration work on the Chinarevskoye Field overseen by the current management team, as well as the acquisition of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields. Additionally, over the past three years, the Group has been able to successfully replenish its proved and probable reserves base notwithstanding increased production during this period.

- *Strong balance sheet and cash flow generation*

  The Group has continued to demonstrate sustained revenue and significant cash flow generation. Since commencing operations in 2004, the Group has substantially grown its revenue through exploration activities and by expansion of its product base, as well as substantial growth in production and sale of hydrocarbons. The Group's EBITDA for the nine months ended 30 September 2013 was U.S.$412.0 million compared to U.S.$340.4 million for the nine months ended 30 September 2012. The improvement in operations has enabled the Group to achieve strong organic growth.

- *Strong track record of production growth within the Chinarevskoye Field with a further significant increase expected*

  Nostrum has a strong track record of successful exploration and production within the Licence area. Analysis by Nostrum personnel of 3-D seismic surveys covering the entire Chinarevskoye Field has allowed Nostrum to position wells effectively. In addition, management has deployed advanced drilling techniques to exploit the Biski-Afoninski reserves which are located in vertically and horizontally fragmented segments including drilling deep wells (between approximately 5,000-5,500 metres), drilling multiple wells and undertaking horizontal drilling (up to 1,000 metres). Further, primarily as a result of the first phase of the gas treatment facility reaching design capacity by the end of 2012, hydrocarbon production increased to an average of 46,370 boepd for the six months ended 30 June 2013, an increase of 23.9% compared to an average of 35,298 boepd for the six months ended 30 June 2012. Hydrocarbon production for the nine months ended 30 September 2013 was an average of 45,414 boepd. Management estimates, based on the production profile of both proved and probable reserves reported in the 2013 Ryder Scott Report and assuming the successful completion of the second phase of the gas treatment facility by the middle of 2016, that annual production will more than double from the 2013 annual production by the end of 2016. Nostrum currently plans to employ the same exploration and production methods it uses within the Chinarevskoye Field at its three new development fields.

- *Advantageous location to access export infrastructure*

  Nostrum's facilities are located in western Kazakhstan approximately 10 kilometres from the Russian border, which reduces overall transportation distances from the Group's production operations to ultimate purchasers of its oil in European markets (as compared to other Kazakh oil and gas producers). In addition, Nostrum's operations are located close to various transportation routes, being 17 kilometres from the Orenburg-Novopskov gas pipeline and less than 100 kilometres from rail links and the Atyrau-Samara oil pipeline. Nostrum's oil pipeline from its field to its rail terminal in Rostoshi near Uralsk gives Nostrum direct access to the rail terminal and an option for a direct connection to the export pipeline to Samara which is crossed by the Group's pipeline. Nostrum's closer proximity to export infrastructure compared with other Kazakh oil and gas producers provides it with a competitive advantage and allows it to benefit from reduced transportation costs.

- *Stable tax and royalty payment terms under the PSA and strong relationship with regulators and authorities*

  The Group currently benefits from a relatively stable tax and royalty payment burden under the PSA for the Chinarevskoye field as the terms of the PSA have been "grandfathered" from its signing in 1997. As such, the terms of the PSA allow Nostrum to estimate the Kazakh Government's share of production revenue with reasonable certainty (although the Kazakh Government could seek to restrict or amend such "grandfathering"—see "*Risk Factors—Risk Factors Relating to Kazakhstan—The Group is exposed to the risk of adverse sovereign action by the Kazakh Government*"). The Group has amended the terms of the PSA on ten previous occasions and the Group is regularly in discussions with regulators about the terms of the PSA and issues that impact the Group's operations.

- Strong and highly experienced management team

  The Group benefits from management with significant experience in the oil and gas sector in general, and Kazakhstan in particular. The current senior executive team have worked together for Nostrum since 2005 and Nostrum's Chief Executive Officer has worked since 1985 in the oil and gas industry, including approximately 11 years' experience working in emerging markets for the Gaz de France group. In addition, Nostrum has experienced senior managers in key departments, including geology, drilling, production and engineering, with an average experience of 22 years in the oil and gas industry.

- *High quality crude oil*

The crude oil produced by Nostrum is a high quality "sweet" crude oil with an average API gravity of 42-43° and a low sulphur content of approximately 0.4%. The high quality of its crude oil allows Nostrum to sell its crude oil at a smaller discount to Brent crude than other oil producers in the region.

**Business Strategy**

Nostrum's long-term objective is to further consolidate its position as one of the leading independent oil and gas companies in Kazakhstan. The first phase of development of the Chinarevskoye Field has now been completed. Its infrastructure, including the first phase of development of the gas treatment facility consisting of two units, is fully operational and average daily production currently runs above 45,000 boepd.

The Group is now planning to build an additional unit for the gas treatment facility by mid-2016 and commence the second phase of development of the Chinarevskoye Field. In addition, the Group intends to complete the initial appraisal of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye development fields by the end of 2015.

The constituents of the Group's strategy in delivering the future growth potential of the Group comprise:

- *Delivering Organic Production Growth*

  The Group aims to double production levels from the Chinarevskoye Field by the end of 2016. To enable this, it plans to construct a third unit for the gas treatment facility in the vicinity of the existing two units, which can currently treat a total of 1.7 billion cubic metres of raw gas per year. The Group plans for the third unit to increase production capacity by 2.5 billion cubic metres of gas, bringing the total capacity of the gas treatment facility to 4.2 billion cubic metres of gas annually once all three units are fully operational. The Group expects to benefit from the technical expertise and significant experience gained from the construction of the first two units of the gas treatment facility in the construction of the third unit.

  The development plan for the third gas treatment unit includes the front end engineering design, the selection of third parties, construction, commissioning and production ramp-up. The decision to initiate the construction is predicated on meeting Nostrum's internal macroeconomic environment conditions and financial criteria, including cash management. Nostrum has a hedging policy whereby it hedges against adverse oil price during times of considerable non scalable capital expenditure. Based on the contracts Zhaikmunai LLP has entered in to with various equipment suppliers for the third gas treatment unit and the fact that further contracts will be entered into over the coming months Nostrum is closely monitoring the hedging market and may in the near future enter into a hedge to cover a portion or all of its non-scalable capital expenditure linked to the construction of the third gas treatment unit.

  The estimated capital expenditure required to build the third gas treatment unit of approximately U.S.$500 million (U.S.$23 million of which had already been incurred as at 30 September 2013) is planned to be fully funded from operational cash flow between 2014 and 2016, and to also cover items such as renewing and expanding the oil treatment facility. Management believes that all other existing infrastructure owned and operated by the Group, such as pipelines and rail terminals, has sufficient capacity to accommodate at least a 100% increase from current production levels.

  Under the existing oil price environment, the current drilling plan foresees approximately 50 wells during the 2014 to 2018 period. Management estimates, based on the production profile of both proved and probable reserves reported in the 2013 Ryder Scott Report and assuming the successful completion of the second phase of the gas treatment facility by the middle of 2016, that annual production will more than double from the 2013 annual production by the end of 2016.

- *Actively Pursuing Reserve Growth*

  The 2013 Ryder Scott Report reported estimated gross proved reserves of 199.2 million boe as at 31 August 2013, an increase of 17.8% compared to 1 January 2012. Over the last four years, drilling has focused mainly on production wells in order to secure feedstock for the gas treatment facility. Now that such feedstock is in place, the focus will be on a renewed appraisal drilling programme in order to transfer more of the Group's possible and probable reserves into proved reserves.

  The Group's ongoing appraisal programme will focus on the Chinarevskoye Field's probable reserves (284.1 million boe as at 31 August 2013) and possible reserves (76.2 million boe as at 31 August 2013), as well as the initial appraisal of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye development fields. Nostrum's long-term target is to increase the Group's proved reserves base to up to 700 million boe, by converting existing probable and possible reserves, adding reserves from the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye development fields and potential further acquisitions.

Nostrum was granted an extension of its exploration permit within the Chinarevskoye Field following the execution of a tenth supplementary agreement to the PSA on 28 October 2013. The tenth supplementary agreement extended the exploration period, other than for the Tournaisian horizons, to 26 May 2014. In addition, Nostrum currently estimates that it will cost approximately U.S.$85 million to conduct the necessary appraisal activities for the appraisal and development of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye development fields, which commenced in 2013, initially through 3D seismic acquisition.

- *Developing a Multi-Field Model*

  The Group is also pursuing a strategy of growth through value-accretive acquisitions. This is in line with its desire to leverage existing infrastructure to add further reserves at low finding costs. The recent acquisition of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields, all of which are located between 80 kilometres and 120 kilometres from the existing gas treatment facility, for total consideration of U.S.$16 million, represented the first such acquisition pursuant to this strategy. The acquisition of data on these three fields commenced in 2013 and appraisal is expected to conclude in 2015.

  The Group evaluates opportunities for acquisitive growth on a continuous basis, with a focus on North-Western Kazakhstan where practicable, but it will also consider opportunities in the surrounding areas.

- *Making Sustainable Development a Priority*

  The Group's long presence in Kazakhstan has led to a natural, gradual and ambitious involvement in sustainable development. Over the years, it has built a comprehensive corporate social responsibility roadmap comprised of employee security and welfare, investment in community building and environmental protection and reporting. Each of these priorities is now taken up in the overall yearly management plan and monitored against specific voluntary as well as compliance objectives. As such, the Group continues to strive to improve and implement new policies each year in order to integrate further sustainability in all of its operations.

  The Group sees corporate social responsibility as an important indicator of non-financial risk and is regularly developing internal best practices to improve its standards. This is an important standalone part of Nostrum's strategy while it is also complementary to all of the other strategic initiatives. Sustainable development will remain a priority in 2014 and onwards.

**History and Corporate Structure**

Zhaikmunai LLP (the "**Licence Holder**") was registered on 20 March 1997 as a Kazakh limited liability partnership and obtained the Licence from JSC Condensate (which was granted the Licence in January 1996). The Licence Holder entered into the PSA in October 1997.

In September 2004, Thyler Holdings Limited (a company beneficially owned by Frank Monstrey, the chairman of the General Partner) indirectly acquired 100% of the participation interests in the Licence Holder. Zhaikmunai LP was formed in August 2007 as an Isle of Man limited partnership in connection with the admission of the GDRs to the Official List and to trading on the London Stock Exchange in 2008. In March 2008, the Group effected a reorganisation which resulted in the Partnership indirectly holding all of the participation interests in the Licence Holder, with Nostrum Oil & Gas Group Limited (owned by Thyler Holdings Limited) becoming the general partner of the Partnership (the "**General Partner**"). As a result, Zhaikmunai LP became the parent entity of the Group.

On 29 November 2013, the limited partners of Zhaikmunai LP duly approved a change in Zhaikmunai LP's name to "Nostrum Oil & Gas LP". See "*Summary—Corporate Structure*". In addition to the name change, as previously announced, the Group continues to explore a possible premium listing on the London Stock Exchange and other alternatives to the current GDR listing, which may result in further restructuring of the Group and changes in its corporate governance and additional costs.

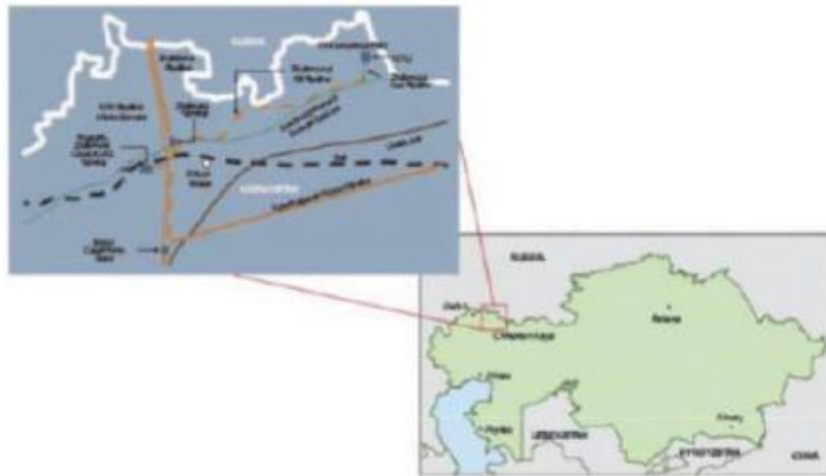
The holders of the Common Units are the limited partners of Nostrum Oil & Gas LP who hold, as at the date of this Offering Memorandum, 188,182,958 Common Units, of which 188,182,948 are held by The Bank of New York Mellon in its capacity as depositary for the holders of the GDRs, but which has no beneficial interest in such Common Units. In October 2012, Thyler Holdings BV (another company beneficially owned by Frank Monstrey) acquired 100% of the General Partner.

The Issuer's registered office is Gustav Mahlerplein 23B, 1082 MS, Amsterdam, The Netherlands (Tel: +31 20 737 2288). The headquarters of the Licence Holder are located in Uralsk, Kazakhstan.

## Operations

Nostrum's primary field and licence area is the Chinarevskoye Field. In August 2012, the Group decided to expand its operations and agreed to acquire subsoil use rights to three new oil and gas fields in Kazakhstan, Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye, located approximately 60 to 120 kilometres from the Chinarevskoye Field. The purchase of these fields was completed on 24 May 2013 for consideration of U.S.$16 million. The Group is currently in the process of analysing the optimal appraisal and development programme for the fields. See "*Risk Factors—Risk Factors Relating to the Group's Business—The Group's activities are conducted within the Chinarevskoye Field and its sole source of revenue comes from this field*".

The following map sets forth the location of the Chinarevskoye Field:



### *Chinarevskoye Field*

*History of Operations*

Oil and gas operations in the Chinarevskoye Field began during the Soviet era with the drilling of nine wells. Hydrocarbons were discovered in the Biski-Afoninski reservoirs in 1991. The discovery of the Tournaisian reservoir was made in 1992.

In May 1997, Nostrum was granted exploration and production licences with respect to the Chinarevskoye Field, which initially covered the entire Chinarevskoye Field. During October 1997, Nostrum entered into the PSA with the Kazakh Government which has been subsequently amended ten times. See "*—Subsoil Licences and Permits—The Licence and the PSA*". The PSA sets forth parameters for the exploration and development of the Chinarevskoye Field and the fees, profit sharing and tax liabilities payable to the Kazakh Government. To date, Nostrum has met all of its capital investment obligations under the PSA.

Three of the wells that were drilled prior to Kazakh independence were reactivated between 2000 and 2002. In 2003, Nostrum discovered the Givetian accumulation and in 2004 the Lower Permian reservoir was successfully tested. An oil treatment unit was completed in July 2006. In 2007, crude oil was discovered in the Bashkirian formation. In May 2008, commercial prospects were declared for the Mullinsky oil and gas condensate pool, the Ardatovski gas condensate pool, the Famenian oil and gas condensate pool and the Biski-Afoninski oil and gas condensate pool. New commercial discoveries were also made in the south and west regions of the Tournaisian reservoir.

In 2004, new senior management was appointed at Nostrum which instituted a strategy of increasing drilling and improving infrastructure, as well as focusing on improving the level of reserves. In the same year, Nostrum commissioned Ryder Scott to conduct an independent engineer's reserves assessment for the Licence area according to SPE-PRMS standards. According to management estimates based on data included in the Ryder Scott reserves report of 2004, Nostrum had approximately 28 million boe of proved reserves. Nostrum's primary exploration effort from 2004 to 2006 was dedicated to the Tournaisian horizon. As a result of increased drilling and improved geological data, management estimated that, as at 31 August 2013, based on the 2013 Ryder Scott Report, Nostrum had increased its gross proved reserves by 611.4% to 199.2 million boe and increased its probable reserves by 124.9% to 382.3 million boe (each as compared to 2004). Hydrocarbon production increased from an average of 2,400 boepd in 2004 to an average of 36,940 boepd in 2012 and an average of 45,414 boepd for the nine months ended 30 September 2013. According to the 2013 Ryder Scott Report, as at 31 August 2013, the estimated gross proved plus probable hydrocarbon reserves at the Chinarevskoye Field were 483.3 million boe.

Following successful test production from the Tournaisian reservoir during the exploration phase of the Licence, Nostrum commenced commercial crude oil production from the Tournaisian reservoir on 1 January 2007. Nostrum has obtained a production permit for the Mullinsky, Ardatovski, Famenian and Biski-Afoninski reservoirs. Nostrum expects to continue exploration activities in the North Biski-Afoninski, Lower Permian and North Tournaisian reservoirs and the Givetian accumulations until the expiry of the exploration period. Nostrum was granted an extension of its exploration permit within the Chinarevskoye Field following the execution of a tenth supplementary agreement to the PSA on 28 October 2013. The tenth supplementary agreement extended the exploration period, other than for the Tournaisian horizons, to 26 May 2014.

In December 2008, Nostrum received an extension of its production licence. The new production licence is valid until 2033 for all horizons (other than the North-Eastern Tournaisian reservoir for which the production licence is valid until 2031) and oil or gas-condensate bearing reservoirs and covers 185 square kilometres of the Licence area. The production licence covers all proved and probable and a significant part of possible reserves reported by Ryder Scott.

In the past several years the Group has been investing significantly in the construction and development of the first phase of the gas treatment facility, which was in test production from May 2011 and came online into full production (and therefore resulting in IFRS recognition of revenue and cost of sales in the Group's income statement) in November 2011. Prior to the construction of the gas treatment facility the Group's revenue resulted solely from the sale of crude oil. Commencing in November 2011, the Group began selling condensate, dry gas and LPG in addition to crude oil. The Group is in the process of designing and planning the second phase of the gas treatment facility, which entails building a third gas treatment unit in the vicinity of the first two units of the gas treatment facility. Detailed engineering and procurement plans are on-going and the Group is in the process of obtaining the applicable permits and contracting with potential suppliers for the equipment, construction and assembly of the third gas treatment unit. All key permits and contracts were in place by the end of 2013, with construction scheduled to begin in early 2014 and the third gas treatment unit expected to become operational by mid-2016. As a result of the third gas treatment unit becoming operational the Group expects a significant increase in its operating capacity and production volumes. The additional operating capacity and higher production volumes have been incorporated in the Group's long-term strategy and operating plans. See "*Risk Factors—Risk Factors Relating to the Group's Business—The Group's future hydrocarbon production profile is based principally on its gas treatment facility and to a lesser extent its oil treatment unit operating at full or near full capacity. If these facilities were not operating at full or near full capacity, the Group may not be able to meet its strategic production objectives*."

***Oil and Gas Reserves***

The following table sets forth Nostrum's gross proved, probable and possible hydrocarbon reserves at the Chinarevskoye Field based on data included in the 2013 Ryder Scott Report:

| | As at 31 August 2013 |
|---|---|
| **Gross Proved Reserves** | |
| Crude oil and condensate (million bbl) | 79.5 |
| LPG (million boe) | 29.5 |
| Gas (million boe)[1] | 90.2 |
| **Total (million boe)[1]** | **199.2** |
| **Gross Probable Reserves** | |
| Crude oil and condensate (million bbl) | 113.7 |
| LPG (million boe) | 42.9 |
| Gas (million boe)[1] | 127.5 |
| **Total (million boe)[1]** | **284.1** |
| **Gross Possible Reserves** | |
| Crude oil and condensate (million bbl) | 22.3 |
| LPG (million boe) | 12.3 |
| Gas (million boe) | 41.6 |
| **Total (million boe)** | **76.2** |

(1) Management has converted the dry gas reserves data from cubic feet to boepd of dry gas. See *"Presentation of Financial, Reserves and Other Information—Certain Reserves Information—Hydrocarbon Data—Presentation in this Offering Memorandum"*.

In accordance with SPE-PRMS reserves classifications, Ryder Scott assigned part of the volumes of crude oil that can be recovered from the accumulation through water-flooding in the Tournaisian reservoir to the category of probable reserves. See "*Risk Factors—Risk Factors Relating to the Oil and Gas Industry—The level of the Group's reserves, their quality and production volumes may be lower than estimated or expected*". The added potential resulting from enhanced oil recovery has therefore only partly been used to estimate the amount of proved reserves.

***Geological Information***

The Chinarevskoye Field is a multi-formation structure. It has tested hydrocarbons at significant rates from (i) the Lower Permian horizons at depths of 2,700m to 2,900m, represented by limestone and dolomitic limestone; (ii) limestone of the Lower Carboniferous Tournaisian formation at a depth of approximately 4,200m with a gross thickness of about 200m; (iii) the middle Devonian Givetian horizons at a depth of approximately 5,000m, represented by sandstone with carbonate cement; and (iv) the middle Devonian Biski-Afoninski formations at a depth of approximately 5,000m with a gross thickness of 200m and represented by limestone and dolomitic limestone. Oil has been found in the Lower Permian, Tournaisian and Givetian Mulinski reservoirs, while gas condensate has been found in the Tournaisian, Biski-Afoninski, Givetian, Ardatovski, Famenian and Vorobyovski reservoirs.

***Appraisal and Exploration***

In addition to the estimated reserves calculated by Ryder Scott, management believes that there is additional exploration potential in the Licence area due to Nostrum's successful drilling record in the Chinarevskoye Field. The Group is continuing to explore parts of the Chinarevskoye Field under the terms of the Licence and the PSA. Using information obtained from 3-D seismic surveys and geological analysis, management (and consultants) review all available data and undertake individual drilling programmes.

Studies prepared by the research institute KaspiMunaiGaz in 2006 and PM Lucas in 2007-2013 confirmed the possibility of significant improvement of oil recovery through water-flooding in the North-Eastern part of the Tournaisian reservoir. The Group began water injection testing at the end of 2008 and implemented the use of water-injection for improved oil recovery in 2009.

According to the 2013 Ryder Scott Report, water injection is solely required for the recovery of the probable reserves. The 2013 Ryder Scott Report analysed reservoir simulations prepared by independent third parties to understand the effect of the water injection on ultimate recovery of oil from the reservoirs. See "*Risk Factors—Risk Factors Relating to the Group's Business—The Group requires significant water supplies in order to conduct its business and failure to obtain such water may adversely affect its business*" and "*Risk Factors—Risk Factors Relating to the Oil and Gas Industry—The level of the Group's reserves, their quality and production volumes may be lower than estimated or expected*".

The Group has mapped several additional prospects in the Licence area, including the Biski-Afoninski (gas condensate), Tournaisian (oil and gas condensate), Lower Permian (oil) and South Tournaisian (gas condensate) reservoirs. In addition to the reported reserves as at 31 August 2013, Ryder Scott has estimated the remaining resources identified, but not yet drilled in the Chinarevskoye Field. The 2013 Ryder Scott Report estimates that the overall exploration potential of such resources through a summation of best estimates is approximately 84.3 million boe of prospective resources.

**PROSPECTIVE RESOURCES ARE THOSE DEPOSITS THAT ARE ESTIMATED, ON A GIVEN DATE, TO BE POTENTIALLY RECOVERABLE FROM UNDISCOVERED ACCUMULATIONS. FREQUENTLY, THIS MAY BE IN AREAS WHERE GEOSCIENCE AND ENGINEERING DATA ARE UNABLE TO CLEARLY DEFINE THE AREA AND VERTICAL RESERVOIR LIMITS OF COMMERCIAL PRODUCTION FROM THE RESERVOIR BY A DEFINED PROJECT. SEE "*RISK FACTORS—RISK FACTORS RELATING TO THE OIL AND GAS INDUSTRY—CONTINGENT AND PROSPECTIVE RESOURCES ARE UNLIKELY TO BE COMMERCIALLY PRODUCTIVE IN THE SHORT OR MEDIUM TERM*."**

A significant portion of the Group's reserves are classified as possible reserves, and a drilling schedule has been prepared to further appraise these accumulations. These gross possible reserves were estimated by Ryder Scott to be up to 76.2 million boe as at 31 August 2013. The Directors believe that a portion of these possible reserves could be transferred into higher reserves categories as a result of the scheduled appraisal activities, which are planned to be performed simultaneously with the development of the existing proved and probable reserves.

***Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye Fields***

***Oil and Gas Reserves***

The following table sets forth Nostrum's net proved, probable and possible hydrocarbon reserves at the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields based on data included in the 2013 Ryder Scott Report:

| | **As at 31 August 2013** |
|---|---|
| **Net Proved Reserves** | |
| Crude oil and condensate (million bbl) | — |
| LPG (million boe) | — |
| Gas (million boe)[1] | — |
| **Total (million boe)[1]** | **—** |
| **Net Probable Reserves** | |
| Crude oil and condensate (million bbl) | 3.8 |
| LPG (million boe) | 0.6 |
| Gas (million boe)[1] | 93.7 |
| **Total (million boe)[1]** | **98.2** |
| **Net Possible Reserves** | |
| Crude oil and condensate (million bbl) | 12.7 |
| LPG (million boe) | 0.4 |
| Gas (million boe) | 20.5 |
| **Total (million boe)** | **33.6** |

(1) Management has converted the dry gas reserves data from cubic feet to boepd of dry gas. See *"Presentation of Financial, Reserves and Other Information—Certain Reserves Information—Presentation in this Offering Memorandum"*.

***Geological Information***

The Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields are approximately 139 square kilometres in size and are located in the Pre-Caspian basin to the North-West of Uralsk, approximately 60 to 120 kilometres from the Chinarevskoye Field.

***Appraisal and Exploration***

Nostrum has estimated that it will cost approximately U.S.$85 million to conduct the necessary appraisal activities for the development of these fields, which commenced in 2013, initially through 3D seismic acquisition.

**Production and Facilities**

***Oil, Gas, LPG and Condensate Production***

During the nine months ended 30 September 2013, Nostrum produced a total of 12.4 million boe, with an average of 45,414 boepd, an increase of 32.2% compared to the nine months ended 30 September 2012, during which Nostrum produced a total of 10.0 million boe, with an average of 36,859 boepd. In 2012, Nostrum produced a total of 13.5 million boe, with an average of 36,940 boepd, compared to 2011, during which Nostrum produced a total of 4.8 million boe, with an average daily output of 13,158 boepd, and to 2010, during which Nostrum produced a total of 2.8 million boe, with an average of 7,752 boepd.

The crude oil extracted from the Chinarevskoye Field has an average API gravity of 42-43° and sulphur content of approximately 0.4%. Primary benchmark crude oils produced in Kazakhstan include CPC Blend (approximately 44.2° API with 0.53% sulphur), Kumkol (approximately 41.2° API with 0.4% sulphur) and Tengiz (approximately 47.2° API with 0.55% sulphur). The quality of the crude oil extracted allows Nostrum to sell its crude oil at a smaller discount to Brent crude than other oil producers in the region.

The stabilised condensate produced out of the gas-condensate feeds has an average API gravity of 57-58° with a sulphur content of less than 0.1%.

The Chinarevskoye Field contains significant gas reserves. The Group monetises these gas reserves using the gas treatment facility and by implementing a gas utilisation concept prepared by NIPI Neftegaz Institute. For more information regarding the gas treatment facility, see "—*Production and Facilities—Gas Treatment Facility*".

Gas processed by the Group's treatment units is used to produce dry gas, LPG and condensate for sale in addition to providing feed stock for power generation to cover Nostrum's power requirements.

Nostrum operates a reservoir pressure maintenance system currently consisting, *inter alia,* of seven water production wells, three water injection wells, central pumping facilities, central water treatment facilities and infield waterlines to the water well sites.

***Crude Oil Facilities***

Nostrum's facilities consist of an oil treatment unit capable of processing 400,000 tonnes per year of crude oil, as well as multiple oil gathering and transportation lines within the Licence area. Nostrum's storage facilities currently allow storage of 5,000 cubic metres of oil and 15,000 cubic metres of condensate on-site and 10,000 cubic metres of oil and 10,000 cubic metres of condensate at the rail terminal (equivalent in total to approximately 15 days' production of crude oil and 12 days' production of condensate). The Group plans to construct an additional oil treatment unit with a capacity of up to 400,000 tonnes per year in conjunction with the third unit of the gas treatment facility. In addition, in 2009, Nostrum completed its 120 kilometre oil pipeline through which it pumps crude oil and condensate from the field site to the railway-loading terminal in Rostoshi near Uralsk.

***Drilling Facilities***

The Group contracts with third parties who perform drilling operations in the Chinarevskoye Field. As at 30 September 2013, Saipem, UNGG and Xi-Bu provided drilling services to the Group and five drilling rigs were being operated by these contractors. In addition, two rigs from Kazburgaz and UNGG were employed for workover operations. The average time required to drill new deviated wells is approximately four months in the Tournaisian reservoir and five months in the Devonian, Biski-Afoninski reservoirs. Based on historical contracts, the Group has budgeted a cost per well of between approximately U.S.$10 million for oil wells and U.S.$14 million for gas condensate wells. In 2014, the Group intends to drill 11 new wells (five new exploration/appraisal wells and six new production/water injection wells) in order to maintain production above the 45,000 boepd target.

See "*—Procurement Contracts material to Nostrum's Business—Drilling Contracts".*

***Gas Treatment Facility***

The first phase of the gas treatment facility involved the construction of two gas treatment units and cost approximately U.S.$270 million. Each of the gas treatment units has the capacity to treat approximately 850 million cubic metres of raw gas (a combination of associated gas and gas condensate). Both units are equipped with sweetening and sulphur recovery units to improve the quality of the gas. The gas treatment facility also includes a gas-fired power plant with a design capacity of 15 megawatts that provides the field site with all required electricity. The power plant has been constructed as part of the first phase of the gas treatment facility. Handover of the gas treatment facility took place in December 2011.

Nostrum is proposing to construct an additional gas treatment unit (phase two of the gas treatment facility) with a capacity to treat 2.5 billion cubic metres of gas per year. Assuming completion of the second phase of the gas treatment facility, the Group would have capacity to treat up to 4.2 billion cubic metres of raw gas per year. Management currently estimates that the total cost of this project will not exceed U.S.$500 million (U.S.$23 million of which had already been incurred as at 30 September 2013). Construction is expected to begin in early 2014 and the third gas treatment unit is expected to become operational in mid-2016. Ryder Scott estimates that Nostrum's annual raw gas production will peak at 4.2 billion cubic metres per year in 2017. See "*Risk Factors—Risk Factors Relating to the Group's Business—The Group's future hydrocarbon production profile is based principally on its gas treatment facility and to a lesser extent its oil treatment unit operating at full or near full capacity. If these facilities were not operating at full or near full capacity, the Group may not be able to meet its strategic production objectives.*"

The Group's future hydrocarbon production profile is based on the gas treatment facility operating at full or near-full capacity. If the gas treatment facility is not operating at full or near-full capacity, this may result in a reduction or suspension of the Group's production of hydrocarbons.

### *Oil Pipeline and Railway-Loading Terminal*

The Group's pipeline and loading terminal has been fully operational since January 2009. The pipeline links the Chinarevskoye Field directly to the Group's railway loading terminal at a rail connection located at Rostoshi, near Uralsk. The oil pipeline has a maximum annual throughput capacity of 3 million tonnes (equivalent to approximately 66,000 boepd). The railway-loading terminal receives all crude oil and condensate produced by Nostrum and has a capacity of 3 to 4 million tonnes of crude oil and gas condensate per year (equivalent to approximately 66,000-87,000 boepd). Management estimates that the oil pipeline has reduced the cost of transporting crude oil and condensate from the Chinarevskoye Field to the Rostoshi rail terminal by approximately U.S.$25 per tonne (U.S.$3.1 per barrel). The construction of the pipeline and the loading terminal facilitates the Group's distribution of its crude oil and condensate internationally, where it can achieve higher prices than can be obtained within Kazakhstan.

### *Gas Pipeline*

Nostrum's 17 kilometre gas pipeline linking it to the Orenburg-Novopskov gas pipeline has been constructed and was commissioned in February 2011, with the first sales gas being transported in May 2011. Maximum annual throughput of this gas pipeline is approximately 5.0 billion cubic metres.

## Subsoil Licences and Permits

Zhaikmunai LLP, is the owner and operator of four fields in Kazakhstan, the Chinarevskoye Field and the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye development fields.

### *Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields*

On 24 May 2013, the Group notified the Competent Authority of the completion of the acquisition for U.S.$16 million of three oil and gas development fields, Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye. Whilst the Group has completed the acquisition of subsurface use contracts in these three oil and gas fields and commenced the acquisition of data on these fields in 2013 (with appraisal expected to conclude in 2015), the development of those fields has not yet commenced (and the Group will not know when development will start until the appraisal process has been completed).

The contracts for exploration and production of hydrocarbons from Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields require fulfilment of several social and other obligations. In particular, during the exploration period, subsurface users have the following obligations:

- Rostoshinskoye field: (i) to pay local authorities U.S.$600 thousand for various social programs and for ROK WK infrastructure development programs; and (ii) invest at least U.S.$20,750 thousand for exploration of the field.
- Darjinskoye field: (i) to pay local authorities U.S.$225 thousand for various social programs and for ROK WK infrastructure development programs; and (ii) invest at least U.S.$20,355 thousand for exploration of the field.
- Yuzhno-Gremyachenskoye field: (i) to pay local authorities U.S.$225 thousand for various social programs and for ROK WK infrastructure development programs; and (ii) invest at least U.S.$33,600 thousand for exploration of the field.

The prior operators of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields were not in compliance with certain of their obligations under the subsoil use contracts covering such fields. However, the Group has been able to amend such obligations. For the nine months ended 30 September 2013, the Group had U.S.$5.3 million in capitalized contingent consideration under the Darinskoye and Yuzhno-Gremyachenskoye acquisition agreements. The remaining deferred consideration (KZT 312.2 million for Darinskoye field and KZT 487.4 million for Yuzhno-Gremyachenskoye field) is expected to be paid to the sellers during the first quarter of 2014.

### *Chinarevskoye Field*

Nostrum's authorisation to conduct operations in the Chinarevskoye Field was granted pursuant to the Licence issued by the Kazakh Government on 26 May 1997 which is part of an associated PSA entered into with the Competent Authority (on behalf of Kazakhstan) on 31 October 1997. The Licence and the PSA were granted under Kazakhstan's pre-1999 "licence and contract" regime described in "*Regulation in Kazakhstan*". Under the PSA, Nostrum is able to undertake both exploration and production activities, subject to obtaining relevant permits. A dual-track system is available to obtain a production permit. See "*—Development Plan*".

The Licence is separated into two phases consisting of an exploration phase and a production phase. The exploration phase consists of two periods. The first exploration period lasted four years, from October 1997 to October 2001; the second exploration period, which commenced on 26 May 2001 was initially agreed to run for three years, but has since been

extended four times to May 2011. The Group was granted an extension of its exploration permit within the Chinarevskoye Field following the execution of the tenth supplementary agreement to the PSA on 28 October 2013. The tenth supplementary agreement extended the exploration period, other than for the Tournaisian horizons, to 26 May 2014.

Further to Nostrum's exploration activities in the North-Eastern Tournaisian reservoir, approval to commence commercial production in this area was initially granted by the award of a production permit for the North-Eastern Tournaisian reservoir in March 2007. When Nostrum subsequently made six new commercial discoveries (in the West Tournaisian (oil), South Tournaisian (oil and gas condensate), Biski-Afoninski (gas condensate), Givetian Ardatovski (gas condensate), Givetian Mulinski (oil and gas condensate) and Famenian (gas condensate) reservoirs) during 2007 and 2008, it entered into discussions with the Competent Authority to extend the exploration permit to appraise these discoveries. In 2008, Nostrum received a new exploration permit valid until 26 May 2011 to appraise all newly made discoveries. Once Nostrum believed that all new discoveries were sufficiently appraised in order to start production, it applied for approval of the reserves for the entire licence area (as required by the terms of the PSA) and once the approval of Nostrum's reserve estimation by the State Committee of Reserves was received in December 2008, Nostrum was issued with an extended production permit, which expires in 2033, and which now covers 185 square kilometres (including the area under the previous production permit as well as the six new commercial discoveries made by Nostrum).

In addition, Nostrum was required to submit separate development plans ("**Development Plans**") to the State Committee for Field Development ("**SCFD**") for oil and gas condensate deposits in accordance with the production permit. Both such Development Plans were approved by the SCFD in March 2009.

Nostrum's initial Development Plan for the North-Eastern Tournaisian reservoir, which was approved on 17 November 2006, has now been incorporated into the new Development Plan for oil deposits as an integral part thereof. In addition to the ongoing commercial production of oil, Nostrum's current production permit allows it to engage in the commercial production of its gas reservoirs.

Nostrum holds one gas flaring permit to flare associated gas. Nostrum flares associated gas during the periods when its gas treatment facility is shut for annual maintenance. The Directors believe that the current permit, which expires at the end of 2014, but which the Directors expect to renew for future years, is sufficient for its expected future needs. See "*Risk Factors—Risk Factors Relating to the Group's Business—The Group's future hydrocarbon production profile is based principally on its gas treatment facility and to a lesser extent its oil treatment unit operating at full or near full capacity. If these facilities were not operating at full or near full capacity, the Group may not be able to meet its strategic production objectives.*"

In August 2012, Nostrum signed agreements to acquire 100% of the subsoil use rights related to three new oil and gas fields in Kazakhstan. The acquisition of these three fields, for consideration of U.S.$16 million, was completed on 24 May 2013. These three oil and gas fields are outside the PSA and therefore will be subject to a different set of procurement and taxation obligations than Nostrum's activities in the Licence area. Nostrum has estimated that it will cost approximately U.S.$85 million to conduct the necessary exploration activities (data acquisition for which has already commenced and which will include a seismic data analysis and the drilling of appraisal wells) for the development of the fields over the next three years. Following completion thereof, a development plan is expected to be submitted to the Competent Authority for approval. Such approval would allow Nostrum to commence the drilling of production wells. The fields, Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye, are located in the Pre-Caspian basin to the North-West of Uralsk, approximately 60 to 120 kilometres from the Chinarevskoye Field. The size of the three licence areas combined is 139 square kilometres.

***The Licence and the PSA***

The Licence and the PSA are currently valid until 2031 (with respect to the North-Eastern Tournaisian reservoir) and 2033 (with respect to the rest of the Chinarevskoye Field). To date, the Directors believe that Nostrum has met all of its obligations, including capital investment obligations, under the PSA.

The duration of the production phase, which began in 2007 in respect of the North East Tournaisian reservoir and 2008 in respect of the other Chinarevskoye reservoirs, for all reservoirs is 25 years. Nostrum must comply with the terms of the production permit and the Development Plans during this period. The Directors believe that Nostrum has fulfilled all those contractual obligations.

Although the Directors believe that Nostrum has to date met all of its obligations under the PSA, please see "*Risk Factors—Risk Factors Relating to the Oil and Gas Industry—The Group may be unable to comply with its obligations under the PSA and the Licence*".

*Amendments to the PSA*

As at the date of this Offering Memorandum, the PSA includes ten amendments. The first amendment, implemented in 2000, restated certain environmental commitments and amended the provision in the PSA regarding the share of and royalty payments to the State, in addition to specifying the manner in which Nostrum was to reimburse the State for any costs it incurred in establishing the field and the manner in which it was to contribute to an abandonment fund when it ceased its operations. The second amendment, dated 24 October 2001, extended the first exploration period for a further two years to four years and set out the requirements during the exploration phase. The third amendment, dated 29 June 2002, amended the provisions relating to tax and royalty payments. This amendment also provided that 15% of the Licence area was to be relinquished back to the State following the first phase of the exploration period (previously the PSA provided that Nostrum was to relinquish 25% of the Licence area). The fourth amendment, dated 12 January 2004, extended the exploration phase to 26 May 2006 with the term of the PSA set to expire on 26 May 2031.

The fifth amendment extended the exploration period by one year until 26 May 2008.

On 5 June 2008 a sixth amendment was made to the PSA, this time determining the Licence area and clarifying the payment and certain other obligations of Nostrum to the State. In addition, it established the production period on the North East Tournaisian reservoir as commencing on 1 January 2007.

Prior to the expiry of the exploration phase on 26 May 2008 (as per the provisions of the fifth amendment of the PSA), Nostrum declared six new commercial discoveries, pursuant to which it applied to the Competent Authority for a further extension of the exploration period to evaluate these commercial discoveries in accordance with its proposed work program for further appraisal. As a result, the Competent Authority, pursuant to the seventh amendment to the PSA dated 17 November 2008, agreed to extend the exploration period until 26 May 2011 to allow Nostrum to fully appraise the newly declared discoveries.

The seventh amendment also clarified the Licence area determined the requirements of Nostrum under the extended exploration period, which included the drilling of 12 exploration wells and amended the clauses of the PSA pursuant to which Nostrum agreed to engage Kazakhstan goods and companies and give preference to Kazakhstan personnel. The Directors believe that Nostrum has fulfilled all of those contractual obligations. In addition, in the seventh amendment, Nostrum agreed to deliver at least 15% of its crude oil production to domestic buyers in Kazakhstan at domestic market prices, which are lower than those Nostrum can achieve in the export market.

The eighth amendment to the PSA dated 27 April 2010 formally incorporates the terms of the current production permit and the exploration permit as part of the PSA.

The ninth amendment to the PSA dated 12 August 2011 clarified Nostrum's obligations under the PSA related to social funds payments and expenses for the training of Kazakhstan personnel. Among other terms and conditions of the ninth amendment to the PSA, Nostrum received an increase in its Cost Oil recoverable social obligations under the PSA due to increased costs in relation to the relocation of the Rozhkovo village population in 2009 and the repair and reconstruction of the local state roads infrastructure.

The tenth amendment to the PSA dated 28 October 2013 contained, among other items, the extension of Nostrum's exploration period, other than for the Tournaisian horizons, to 26 May 2014. The Directors believe that this will provide sufficient time for the Group to carry out its planned exploration programme before submitting the results to the State.

*Exploration Permit*

Nostrum was granted an extension of its exploration permit within the Chinarevskoye Field following the execution of the tenth supplementary agreement to the PSA on 28 October 2013. The tenth supplementary agreement extended the exploration period, other than for the Tournaisian horizons, to 26 May 2014. Thereafter, Nostrum may relinquish the area covered by the exploration permit and/or request a production permit in respect of any new commercially viable reserves that are declared.

*Development Plan*

Following the appraisal and/or discovery of reserves, under the PSA Nostrum was required to submit a development plan for the particular reserves discovered to the SCFD. Following the appraisal and exploration of additional oil and gas condensate reserves at the end of May 2008, Nostrum received approval for the two Development Plans from the SCFD in March 2009, one regarding oil deposits (which relate to the Tournaisian and Mulinski reservoirs) and the other regarding gas condensate deposits (which relate to the Biski-Afoninski and Ardatovski reservoirs).

The Development Plan related to oil deposits required (i) the drilling of nine additional production and water injection wells and (ii) the start of water injection in 2009 to support reservoir pressure and to achieve final oil recovery of at least 32.2% from the Tournaisian reservoir. The Development Plan related to gas condensate deposits allowed Nostrum to begin commercial production of such deposits upon (i) the construction and commissioning of the gas treatment facility and (ii) the construction and commissioning of a 17 kilometre gas pipeline. All of these conditions have now been satisfied.

The following summarises the other principal terms of the PSA:

*Royalty Payments*

The rate of monthly royalty payments to be made by Nostrum to the State depends on the volume of hydrocarbons extracted, calculated according to the realised value for each class of hydrocarbon sales at its final destination less the cost of transportation to its final destination and any discounts incurred due to the quality of hydrocarbons produced, as compared to a benchmarked quality. See "*Risk Factors—Risk Factors Relating to the Group's Business—The proportion of crude oil and gas production that must be shared with the State, as well as the Group's royalty payments to the State, may increase*".

| | Royalty rate |
|---|---|
| **Annual crude oil production levels (tonnes)** | |
| From 0 to 100,000 | 3% |
| From 100,000 to 300,000 | 4% |
| From 300,000 to 600,000 | 5% |
| From 600,000 to 1,000,000 | 6% |
| Over 1,000,000 | 7% |

| | Royalty rate |
|---|---|
| **Annual gas production levels (1,000m$^3$)** | |
| From 0 to 1,000,000 | 4% |
| From 1,000,000 to 2,000,000 | 4.5% |
| From 2,000,000 to 3,000,000 | 5% |
| From 3,000,000 to 4,000,000 | 6% |
| From 4,000,000 to 6,000,000 | 7% |
| Over 6,000,000 | 9% |

*State Share*

Pursuant to the PSA, in addition to the royalty payments, the State receives a monthly share of Nostrum's hydrocarbon production. The share that the State receives is calculated, first, by notionally separating production into "**Cost Oil**" and "**Profit Oil**". Cost Oil denotes an amount of hydrocarbons produced in respect of which the market value is equal to Nostrum's monthly expenses that may be deducted pursuant to the PSA. Deductible expenses for the purposes of Cost Oil include all operating costs and the development and exploration costs of completed infrastructure and wells up to an annual maximum of 90% of the annual gross realised value of hydrocarbon production. Any unused expenses may be carried forward indefinitely in the calculation of Cost Oil. Profit Oil, being the difference between Cost Oil and the total amount of hydrocarbons produced each month, is shared between the State and Nostrum. Consequently, increases in Nostrum's monthly expenditures result in lower amounts of Profit Oil being transferred to the State (due to the higher notional value of Cost Oil).

The State's share of Profit Oil must be physically delivered to the State or, alternatively, the State can elect to receive an amount equal to the value of the Profit Oil on a monthly basis. To date, the State has always elected to receive a monetary payment. Any such amounts delivered or paid are based on actual monthly production volumes. The share to be allocated to the State is calculated based on annual levels of production of crude oil and gas as set out below.

| | State's share |
|---|---|
| **Annual Crude Oil Production levels (tonnes)** | |
| From 0 to 2,000,000 | 10% |
| From 2,000,000 to 2,500,000 | 20% |
| From 2,500,000 to 3,000,000 | 30% |
| Over 3,000,000 | 40% |

| | State's share |
|---|---|
| **Annual Gas Production levels (1,000m³)** | |
| From 0 to 2,000,000 | 10% |
| From 2,000,000 to 2,500,000 | 20% |
| From 2,500,000 to 3,000,000 | 30% |
| Over 3,000,000 | 40% |

The State share of Profit Oil was 10% in 2010, 2011, 2012 and the nine months ended 30 September 2012 and 2013.

If Nostrum pays cash in lieu of delivery of the State's share of Profit Oil, the price (in U.S. Dollars) is determined to be that which Nostrum actually received on the same date for a similar volume of hydrocarbons at connection to a trunk pipeline, on the basis of an arm's length transaction, less transportation costs from the trunk pipeline.

Upon expiration of the Licence and the PSA (which will occur between 2031-2033 depending on the geographical and geological area in question), Nostrum is obliged to transfer to the State all assets acquired, built or installed as per the work program and the approved budget.

*Delivery of crude oil*

Pursuant to the PSA, the State has the priority right to purchase up to 50% of hydrocarbons produced by Nostrum calculated after the share of production with the State at prices not exceeding world market prices, as determined by the Kazakh Government. In addition, the State has the right under the PSA to request Nostrum to deliver the State's distributed oil and gas in-kind to destinations specified by the State. Also, the State has the right to requisition part or all of the hydrocarbons owned by Nostrum under the PSA in the event of war, natural disasters or other emergency situations. Moreover, the Kazakh Government can require oil producers in Kazakhstan to supply a portion of their crude oil production to domestic refineries to meet domestic energy requirements.

Pursuant to the seventh amendment of the PSA, Nostrum agreed to deliver not less than 15% of its monthly crude oil production to the domestic market. The seventh amendment of the PSA does not specify the price at which any such crude oil should be supplied.

*Tax—General*

- *Corporate Income Tax*

  In accordance with Kazakhstan's tax regulations, Nostrum makes monthly payments of corporate income tax at a fixed rate of 30% of Nostrum's taxable income from contract activity for each year of commercial production during the term of the PSA. Any taxable income from non-contract activity (such as income from hedging) is taxable at the corporate income tax rate applicable for the year the income is realised.

- *Discovery Payments*

  Under the PSA, Nostrum must declare each new discovery of a crude oil horizon that leads to commercial production and pay U.S.$500,000 to the State in respect of each of such discoveries. In 2008, Nostrum paid U.S.$3.0 million to the State in respect of six commercial discoveries which were declared in May 2008. There were no discovery payments due to the State in 2010, 2011 or 2012 or in the nine months ended 30 September 2013. For the commercial discovery declared for the Bashkirian horizon in October 2012 a commercial discovery bonus of U.S.$500,000 was paid in 2013.

- *Recovery Bonus*

  Nostrum must pay to the State a U.S.$1 million recovery bonus for each 10 million metric tonnes of cumulative recovery of crude oil and natural gas. Nostrum expects to pay the recovery bonus for the first in 2016.

- *Reimbursement of Historic Expenses*

  Nostrum is required to reimburse the State for a total of U.S.$25.0 million for historic costs (its costs for appraisal activities undertaken prior to the grant of the Licence) in equal quarterly instalments during the production phase of the PSA starting from the production phase. Nostrum began making such payments on 1 January 2007. Nostrum repaid historic expenses in the amount of U.S.$1.0 million in 2010, U.S.$1.0 million in 2011, U.S.$1.0 million in 2012 and U.S.$0.7 million in the nine months ended 30 September 2013.

- *Social Expenditures*

Further, pursuant to the ninth amendment to the PSA, the Group is obliged to perform repair and reconstruction of state roads (including the construction of a 37 kilometre asphalt road accessing the field site), make an accrual of 1% of capital expenditures per annum for the purpose of educating Kazakhstan citizens and adhere to a spending schedule on education (which lasts to and including 2020).

- *Liquidation Fund*

  The PSA requires Nostrum to establish a liquidation fund in the amount of U.S.$12.0 million by making annual contributions to the fund of U.S.$100,000 per year during the exploration phase and U.S.$452,000 per year during the production phase. The liquidation fund will provide funds for the removal of Nostrum's property and equipment at the end of the PSA's term. Management sets aside the amounts required for the liquidation fund and believes that such provisions satisfy its obligations to make annual contributions to the fund.

  In addition, Nostrum makes accruals for the abandonment of facilities. The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation adjusted for expected inflation and discounted using average long-term interest rates for emerging market debt adjusted for risks specific to the Kazakhstan market.

### Procurement Contracts material to Nostrum's Business

#### *Drilling Contracts*

As at 30 September 2013, Nostrum had four major contracts for drilling services: two with Saipem, one with UNGG and one (supplying two drilling rigs) with Xi-Bu. The contracts provide for the relevant contractor to drill wells within the Licence area until a set number of wells have been drilled or, in the case of the contract with UNGG, until a fixed date (currently 1 November 2013, but performance is continuing and an extension is expected to be entered into). The contracts can be renewed by the mutual agreement of the parties and the Directors expect that they will be able to renew these contracts on similar terms or find alternative providers of drilling rigs as required. The Directors believe that the terms of these contracts are sufficient for the Group's drilling programme. There are also two minor contracts with Kazburgaz and UNGG for well workover operations.

#### *Third Gas Treatment Unit*

Nostrum has appointed FIA and Rheinmetall International Engineering GmbH (a 50% subsidiary of Ferrostaal GmbH) as the project manager in charge of managing the engineering, procurement, construction and commissioning of the entire third gas treatment unit project on behalf of Nostrum's subsidiary Zhaikmunai LLP. The FEED study, prepared by Lexington Group International (USA), has been the basis from which FIA's engineering team has developed the project starting in late 2012. As of the date of this Offering Memorandum, Nostrum is in the final stages of procurement and in the initial stages of detailed engineering works. Nostrum has also agreed supply terms with its three suppliers for the supply of equipment totalling approximately U.S.$75 million and anticipates that in the coming weeks procurement terms will be agreed with suppliers for an additional U.S.$60 million of equipment. Nostrum expects that all procurement contracts for major equipment will be signed during the first half of 2014. Based on the current timetable for the construction, the Nostrum expects that the third gas treatment unit will be completed and commissioned by the middle of 2016. Management currently estimates that the total cost of this project will not exceed U.S.$500 million.

### Transportation

#### *Transportation of Crude Oil and Condensate*

Transportation routes for the export of hydrocarbons by Nostrum and other oil and gas producers in Kazakhstan are important because of the country's land-locked position. In particular, Kazakhstan depends heavily on Russia's transportation infrastructure for export routes. Crude oil is exported from Kazakhstan through pipelines and railways across the Caspian Sea and through Russia to the Black Sea ports or by pipeline to China.

The principal transportation options for the export of the Group's crude oil and condensate are rail car and pipeline. Crude oil and condensate are pumped through the Group's 120 kilometre oil pipeline, completed in January 2009, from the Chinarevskoye Field to the nearby city of Rostoshi near Uralsk, where it is loaded at the Group's oil loading terminal onto rail cars. By transporting its production by rail, Nostrum does not encounter any dilution of the quality of its crude oil or condensate as it would if it was transported by pipeline, and is therefore able to obtain a higher price for its production in the export market. Also, as a result of the completion of the its oil pipeline, transportation of the Group's crude oil has become safer, less costly and more efficient.

In 2010, the Group entered into several agreements for the lease of 650 railway tank wagons for transportation of hydrocarbon products for a period of up to seven years for KZT 6,989 per day per one wagon. The lease agreements may be early terminated either upon mutual agreement of the parties or unilaterally by one of the parties if the other party does not fulfil its obligations under the contract.

Due to the fact that the Group has been delivering larger cargoes than in 2012, the receivables balance during 2013 increased as compared to 2012. At times where the best netback for the Group was realized by selling 60 kilotonne cargoes, FOB Black Sea, the receivables balance has been double what it was in 2012. The Group continues to utilise its ability to achieve the best possible netback by selecting the transportation route and cargo size that delivers the highest possible return.

Alternatively, there is one pipeline operated by a third party—the KazTransOil pipeline—to which the Group's oil pipeline could be connected. However, there is currently no quality bank adjustment mechanism for exports carried by this trunk pipeline. In the absence of appropriate agreement as to the quality of the Group's crude oil, Nostrum could therefore receive a lower price for its production than the quality of its oil would otherwise demand. The Group does not currently use this pipeline to transport its crude oil and condensate.

***Transportation of Dry Gas and LPG***

The Group's gas production is transported by its 17 kilometre gas pipeline (commissioned in February 2011) linking the Chinarevskoye Field to the Orenburg-Novopskov gas pipeline. The gas pipeline has a maximum annual throughput of 5.0 billion cubic metres. As the gas is sold at the point of entry to the pipeline, the Group is not liable for any additional transportation tariffs.

In addition, the Group has engaged third-party contractors to transport its LPG products by truck to railway-loading terminals operated by third parties near Uralsk. LPG is then delivered by rail car to its ultimate purchaser.

**Sales and Marketing**

***Crude Oil and Condensate***

Pursuant to the PSA, Nostrum has agreed to deliver 15% of its crude oil production in the domestic market and sell the remaining crude oil to the export market.

Until 2010, the Group delivered most of its exported crude oil on the basis of FCA (free carrier) Uralsk, the price being based on the market price for Brent crude oil less a discount for rail fees, transportation costs, quality differentials and trader's fees incurred in order to deliver the crude oil from Uralsk to its ultimate destination at refineries in Finland and the Ukraine. Since 2011, the Group has sold its crude oil and condensates based on DAP (delivery at place) and FOB (free on board) terms. The benefit of selling on DAP and FOB terms is that the sales discount is significantly reduced, although this benefit is partially offset by an increase in transportation costs for the Group as it must pay for transportation costs from the terminal to the point of sale. The Group plans to continue selling on a DAP and FOB basis as management believes the Group will benefit from a net decrease in overall transportation costs.

Until 2010, the Group entered into crude oil contracts with one or more traders. The traders then contracted with the ultimate purchasers for the provision of the Group's crude oil products. The Group did not enter into contracts for crude oil products with its ultimate customers.

In 2011, 2012 and the nine months ended 30 September 2013, virtually all of Nostrum's oil products were sold directly to its ultimate customers. In 2011, all of Nostrum's condensate was sold directly to its ultimate customers. However, in 2012, most of Nostrum's condensate was sold through third party traders, with the remainder being sold to its ultimate customers. In the nine months ended 30 September 2013, approximately half of the condensate was sold through third party traders and approximately half was sold to Nostrum's ultimate customers.

***Dry Gas and LPG***

The Group's deliveries of dry gas are made to the Group's two significant gas purchasers at the Group's connection to the Orenberg-Novopskov gas pipeline. Prices for the Group's gas products are negotiated annually with the buyers pursuant to annual contracts at market rates on arm's length terms. The two purchasers of the Group's dry gas are well established gas companies within Kazakhstan and the commercial relationship between them and the Group has been stable since its inception.

In 2011, 2012 and the nine months ended 30 September 2013, virtually all of Nostrum's LPG products were sold directly to its ultimate customers. The Group's LPG is transported by truck and then by rail car.

**Environmental Matters**

The Directors are committed to complying with applicable local and international standards for environmental protection. Nostrum prepares and submits to authorities a yearly action plan in accordance with Kazakh environmental regulations.

The Group has engaged external consultants, AMEC Overseas (Cyprus) Limited ("**AMEC**"), to undertake an environmental, health and safety due diligence review. According to such review (completed in July 2013), Nostrum is generally in compliance with Kazakhstan and international environmental standards and regulations, which comprise of International Finance Corporation and World Bank Group (IFC/WBG) international requirements and standards.

Nostrum's environmental protection policies include the following key objectives: (i) cease gas flaring; (ii) remediate or recultivate areas impacted by petroleum hydrocarbons, particularly abandoned wells and mud pits; (iii) provide training to employees and contractors to understand its environmental policies and minimise environmental damage; (iv) monitor the impact of Nostrum's operations on the environment; (v) put in place emergency procedures to deal with the environmental impact of any spillage; and (vi) utilise associated production gas to produce low cost power as part of its gas treatment facility.

For details regarding Nostrum's compliance with applicable environment requirements see "*Regulation in Kazakhstan—Environmental Compliance*".

**Employees, Health and Safety**

***Employees***

The table below sets out the average number of people (full-time equivalents) employed by the Group over the periods indicated below:

| | Nine months ended 30 September | Year ended 31 December | | | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| **Location** | | | | | | |
| Chinarevskoye Field | 696 | 656 | 577 | 500 | 439 | 396 |
| Uralsk | 246 | 218 | 170 | 144 | 177 | 142 |
| **Total** | **942** | **874** | **747** | **644** | **616** | **538** |

The average number of people (full-time equivalents) employed by the Group has increased during the first nine months of 2013 due to growth throughout the operating company, following increases during 2012 due to the general ramp-up in production at the gas treatment facility. Nostrum has not experienced any work stoppages, strikes or similar actions in the past and considers its relations with its employees to be good.

The Directors believe that the Group has complied in all material respects with applicable health and safety standards within the Kazakh oil and gas industry. See "*Regulation in Kazakhstan—Health and Safety Compliance*".

**Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware), during the period covering the 12 months prior to the date of this Offering Memorandum, which may have or have had in the previous 12 months significant effects on the Group's financial position or profitability.

**Insurance**

The Directors believe that the types of coverage structure, limits and quality of the Group's insurance programme are comparable with other Kazakh oil companies of a similar size.

The Group insures some of its risks under the following mandatory insurance contracts:

(a) general third-party liability insurance;

(b) employer's liability insurance;

(c) environmental insurance; and

(d) civil liability as the owner of vehicles.

As at the date of this Offering Memorandum, the Group maintains and is in compliance with all mandatory insurance requirements under Kazakh law. In addition, the Group maintains the following voluntary insurance contracts:

(a) voluntary cargo insurance;

(b) oil operations voluntary insurance contract;

(c) voluntary third party liability insurance;

(d) property voluntary insurance contract; and

(e) voluntary property insurance for the gas treatment facility.

The Group has also arranged directors' and officers' liability insurance through a third-party insurer.

The Group does not maintain business interruption, key-man, terrorism or sabotage insurance. See "*Risk Factors—Risk Factors Relating to the Group's Business— The Group's insurance coverage does not cover all risks and may not be adequate for covering losses arising from potential operational hazards and unforeseen interruptions.*".

**Competition**

Since independence in 1991, major Western oil companies have dominated the oil and gas sector of Kazakhstan, with BG Group, Chevron, ENI, Exxon, Shell, Total, Mobil, LUKOIL and Texaco acquiring stakes in the world-scale TCO, North Caspian and Karachaganak projects. Investment from Asian oil and gas companies began in the late 1990s led by Indonesia's Central Asia Petroleum (which acquired a share in Mangistaumunaigas in 1997) and CNPC International (which acquired shares in Aktobemunaigas in 1997 and PetroKazakhstan in 2005). CNPC International has continued to invest heavily in the country and has been joined by, among others, Inpex, Sinopec and KNOC. LUKOIL and Rosneft have led the investment of Russian oil and gas companies in Kazakhstan with a focus on offshore Caspian Sea projects.

## REGULATION IN KAZAKHSTAN

Regulation of the oil and gas sector can be divided into three broad areas:

- regulation in relation to subsoil use rights;
- regulation in relation to environmental, health and safety matters; and
- anti-monopoly regulation.

### *Regulation of subsoil use rights in Kazakhstan*

#### *General*

In Kazakhstan, the subsoil and minerals contained therein are owned by the state in accordance with the Constitution of the Republic of Kazakhstan. The state shall ensure access to the subsoil on the terms, conditions and within the limits as provided for by the New Subsoil Law. Unless otherwise stipulated by Kazakhstan laws and subsoil use contracts, mineral raw materials shall be owned by the subsoil user under a right of ownership (or in the case of a state-owned enterprise, under a right of economic or day-to-day management). The Competent Authority, on behalf of the State, grants exploration and production rights. Subsoil use rights are granted for a specific period but may be extended before the expiration of the applicable contract and licence (if applicable), subject to certain limitations and conditions. Subsoil use rights may be terminated by the Competent Authority if, among other things, subsoil users do not satisfy their contractual obligations, which may include periodic payment of royalties and taxes to the Kazakh Government and the satisfaction of mining, environmental, and health and safety requirements.

Prior to August 1999, subsoil use rights for hydrocarbons and mining sector operations were established by the grant of a licence and the execution of a subsoil use contract in a tax royalty or PSA model. In August 1999, in an attempt to simplify the procedure, the Kazakh Government abolished the licence regime for subsurface use rights granted after September 1999 and, in December 2008, the PSA model was also abolished. Subsoil use rights are now established only by means of a subsoil use contract and no licence is required. Nevertheless, previously issued and unexpired licences and PSAs survived. Nostrum holds its subsoil use rights in the Chinarevskoye field on the basis of the pre-August 1999 "licence and contract" regime and in the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields on the basis of the New Subsoil Law and subsoil use contracts. See "*Business—Subsoil Licences and Permits*".

### *Regulation of subsoil use rights*

There have been four main phases of subsoil use regulation in Kazakhstan:

- from Kazakhstan's independence in 1991 to August 1994;
- the licensing contractual regime from August 1994 to August 1999, which had two sub-phases: (i) August 1994 to January 1996, and (ii) January 1996 to August 1999;
- the contractual regime, which was effective from August 1999 through 7 July 2010 and was regulated by the Old Subsoil Law, as amended from time to time; and
- the present regulation of activities in the oil and gas sector by the New Subsoil Law, enacted in June 2010 and effective from 7 July 2010, and recently enacted Laws on Gas and Gas Supply (9 January 2012) and Trunk Pipeline (22 June 2012).

*The Old Subsoil Law and the 1999 Amendments*

The legal framework that formerly regulated Nostrum's subsoil activities under the PSA was established with the adoption of Kazakhstan Law No 2828 "On Subsoil and Subsoil Use" on 27 January 1996 (the "**Old Subsoil Law**"). In August 1999, the Old Subsoil Law was amended by Law No. 467 1 "Concerning the Introduction of Amendments and Additions to Several Legislative Acts on the Subsoil and Petroleum Operations in the Republic of Kazakhstan" (the "**1999 Amendments**"). The 1999 Amendments simplified the process of obtaining subsoil use rights, by allowing the Competent Authority to grant these rights based on a subsurface use contract only. Under the 1999 Amendments, the licence regime for subsurface use rights granted after September 1999 was abolished.

*The 2004/2005 Amendments to the Old Subsoil Law*

The Old Subsoil Law was further amended by the Law No. 2 III on "Introduction of Amendments and Additions to Certain Legal Acts on Subsoil Use and Petroleum Operations" dated 1 December 2004, and Law No. 79 3 on "Introduction of Amendments and Additions to Certain Legal Acts on Subsoil Use and Performance of Petroleum Operations in Kazakhstan" dated 14 October 2005 (the "**2004/2005 Amendments**"). The 2004/2005 Amendments provided to the State a pre-emptive

right in connection with any transfer of subsoil use rights and/or shares or participation interests in subsoil users, and/or any transfer of the shares or participation interests in a legal entity which can, directly or indirectly, affect or determine decisions of a subsoil user, if the core business of such controlling entity is related to subsoil use in Kazakhstan (the "**State's Pre-Emptive Right**"). This gave the State a right of first refusal in respect of any such transfers on terms "no worse than those offered by other prospective purchasers".

The 2004/2005 Amendments also provided that transfers of subsoil use rights, including contribution of subsoil use rights to charter capital, transfer of subsoil use rights during bankruptcy proceedings and that pledge of subsoil use rights required the consent of the Competent Authority.

*The 2007 Amendments to the Old Subsoil Law*

In October 2007, Kazakhstan adopted new legislation amending the Old Subsoil Law (the "**2007 Amendments**"). The 2007 Amendments came into force on 3 November 2007. The 2007 Amendments introduced a concept of so called "strategic deposits", the list of which was approved by the Kazakh Government on 13 August 2009 (and later superseded by a list approved by the Kazakh Government on 4 October 2011). The 2007 Amendments provided the Competent Authority with the right to initiate reviews of subsoil use contract terms and to require: (a) amendments and/or additions to subsoil use contracts in circumstances where the activities of the subsoil user in relation to so-called "strategic deposits" lead to material changes in the economic interests of the state which create a threat to national security; and (b) termination of subsoil use contracts if, *inter alia*, the parties fail to execute the respective amendments and/or additions to a subsoil use contract within six months from the date when an agreement was reached with the Competent Authority to restore the State's economic interests.

*Abolition of the PSA Law*

Kazakhstan Law No. 68 III "On Production Sharing Agreements for Conducting Offshore Petroleum Operations", dated 8 July 2005, (the "**PSA Law**"), which together with other subsoil legislation was the applicable law for production sharing agreements in Kazakhstan, was abolished by the introduction of the new Tax Code on 10 December 2008. The PSA Law ceased to have effect from 1 January 2009. The New Subsoil Law does not permit the State to enter into new production sharing agreements with contractors.

*New Subsoil Law*

The New Subsoil Law replaced two major laws governing relations of the State and subsoil users in the oil and gas sector: (i) the Old Subsoil Law and (ii) the Republic of Kazakhstan Law "On Oil" (No. 2350, dated 28 June 1995, as amended) (the latter replicating most of the provisions of the Old Subsoil Law). Adoption of the New Subsoil Law was aimed at, *inter alia*: (i) consolidation of existing overlapping laws and regulations related to subsoil and subsoil use, including those in the sphere of oil and gas; (ii) clarifying areas of uncertainty by adding more procedures (specifically relating to obtaining various consents, approvals and waivers from the Competent Authority); and (iii) eliminating stabilisation of subsoil use contracts.

Under the New Subsoil Law, the subsoil use rights may be permanent or temporary, alienable or inalienable, payable or free of charge. Most types of subsoil operations shall be carried out on the basis of temporary and payable subsoil use (except for production of commonly occurring minerals for the subsoil user's own needs and production of underground water in volumes of up to 50 cubic meters in land plots held under the right of ownership or use, which shall be carried out under permanent and free of charge rights of subsoil use). Subsoil use rights shall be granted following a tender process or direct negotiations with the Competent Authority, with certain exceptions.

Subsoil use rights may be held by Kazakh and foreign individuals and legal entities. A subsoil user shall be guaranteed protection of its rights in accordance with Kazakhstan legislation. Any amendments and additions to legislation that worsen the results of a subsoil user's business activities under subsoil use contracts shall not apply to subsoil use contracts that were concluded prior to such amendments and additions. Such guarantees shall not apply to changes in Kazakhstan legislation in the areas of national security, defence capabilities, environmental protection, health, taxation and customs regulation.

The following rights for the state were retained in the New Subsoil Law from the Old Subsoil Law:

- *Priority Right to Acquire Minerals*

  The State shall have a priority right over other parties to acquire a subsoil user's minerals, at prices not exceeding those applied by the subsoil user that prevail on the date of the relevant transaction, minus transportation and selling costs.

- *Right to Requisition Minerals*

In the event of martial law or a state of emergency, the Kazakh Government may requisition some or all of the minerals owned by a subsoil user. Requisition may be in any amount necessary to cover the needs of the State during the entire period of martial law or the state of emergency. Minerals may be requisitioned from any subsoil user regardless of the form of ownership. The State shall guarantee compensation for requisitioned minerals either by payment in kind, or by paying their monetary value to a foreign subsoil user in freely convertible currency and to a domestic subsoil user in the national currency at prices not exceeding those applied by subsoil users in transactions related to the relevant minerals that prevail on the date of requisition, minus transportation and selling costs.

- *The State's Pre-emptive Right*

  The New Subsoil Law differentiates between subsoil use rights and the objects related to the subsoil use rights (the "**Objects**"). Objects are participatory interests (shares, securities confirming title to shares and securities convertible into shares) in a legal entity holding the subsoil use right, as well as a legal entity which may directly and/or indirectly determine and/or influence decisions adopted by a subsoil user, if the principal activity of such entity is related to subsoil use in the Republic of Kazakhstan (the "**Controlling Legal Entity**"). The concept of the State's Pre-Emptive Right was transferred from the Old Subsoil Law to Article 12 of the New Subsoil Law in respect of both the subsoil use rights and the Objects. The State's Pre-Emptive Right applies retroactively to all existing contracts, as well as prospectively to future contracts, except for contracts for underground water or commonly occurring minerals.

  With certain limited exemptions discussed in "*—The Consent for Transfers of Subsoil Use Rights and Objects*", the State's waiver of its pre-emptive rights would need to be obtained for any transfer of the subsoil use rights or Objects.

  The State's Pre-Emptive Right is also applicable to any initial public offering of shares on an organised securities market, or other securities confirming title to shares, or securities convertible into shares, issued by a subsoil user legal entity or a Controlling Legal Entity, including any further public offerings of securities in such legal entities on an organised securities market. In addition, such public offerings require the permission of the Competent Authority, which may be granted in accordance with the New Subsoil Law provisions.

- *The Consent for Transfers of Subsoil Use Rights and Objects*

  The subsoil use rights (or parts thereof) and Objects can only be transferred, including in cases of foreclosure (including a pledge), with the consent of the Competent Authority in accordance with the procedure established by Article 37 of the New Subsoil Law.

  A credit facility secured by a pledge of the subsoil use right shall only be allowed for the purposes of furthering subsoil use, or for further treatment if such treatment is provided for in the relevant subsoil use contract, and are carried out within the territory of Kazakhstan by the subsoil user itself or by a wholly-owned subsidiary.

  An initial public offering of shares on an organised securities market or other securities confirming title to shares or securities convertible into shares issued by a subsoil user legal entity or a Controlling Legal Entity, including the further placement of securities in such legal entities on an organised securities market, requires the permission of the Competent Authority. The Competent Authority's consent shall not, however, be required in the following instances:

  - transactions for alienation of shares or other securities confirming title to shares, or securities convertible into shares which are traded on an organised securities market and are issued by a subsoil user legal entity or a Controlling Legal Entity;
  - the transfer, in full or in part, of the subsoil use right and/or an Object:

    (a) to a subsidiary in which at least a 99% participatory interest (shareholding) is held directly or indirectly by the subsoil user, *provided that* such subsidiary is not registered in a jurisdiction with a preferential tax treatment (the so-called "black listed offshore jurisdictions"); and

    (b) between legal entities in each of which at least a 99% participatory interest (shareholding) is held directly or indirectly by one and the same person, provided that the acquirer of all or part of the subsoil use right and/or the Objects is not registered in a jurisdiction with a preferential tax treatment; or
  - the transfer of shares (participatory interests) in a subsoil user legal entity if, as the result of such a transfer, an entity acquires the right to directly or indirectly control less than 0.1% of the participatory interests (shareholdings) in the charter capital of the subsoil user or the Controlling Legal Entity.

In these instances, the State's waiver of its pre-emptive rights shall not be required.

Any transactions or other related actions effected without the required consent of the Competent Authority and waiver of the State's Pre-Emptive Right may be invalidated as of the date of their conclusion or undertaking.

- *Termination of Subsoil Use Contracts*

  According to Article 72.3 of the New Subsoil Law, the Competent Authority may prematurely terminate a subsoil use contract on a unilateral basis:

  (1) if the subsoil user fails to eliminate more than two violations of obligations under its subsoil use contract or project documents within the time set in the Competent Authority's notice; and

  (2) in the event of a transfer of a subsoil use right and/or of an Object by the subsoil user without the Competent Authority's consent when such consent is required.

- *Treatment of Subsoil Use Contracts in Relation to Strategic Deposits*

  In October 2011, the Kazakh Government approved a list of over 300 hydrocarbon, hard mineral and underground water deposits categorised as strategic. This list included the Chinarevskoye oil, gas and condensate deposit. The New Subsoil Law does not establish the criteria for qualifying a deposit as 'strategic'. It is within the Kazakh Government's sole discretion to determine whether a deposit is strategic. Therefore there is no legal basis or mechanism or any action or step that can be taken under Kazakhstan law to obtain any assurance from the Kazakh Government or any other authority as to the likelihood of Nostrum's other deposits not being so designated in the future.

  Pursuant to the New Subsoil Law, the Competent Authority has the right to initiate amendments to any subsoil use contracts (including those pre-dating the enactment of the New Subsoil Law) in respect of a strategic deposit if particular actions of a subsoil user have a negative impact on Kazakhstan's economic interests thus threatening national security. The Law on National Security defines the term "threat to the national security" as any set of internal or external factors that obstructs the realisation of the national interests of Kazakhstan, with the term "national interests" being broadly defined as any lawful political, economic or social needs of Kazakhstan that enable the state to protect the rights of citizens, societal values and fundamentals of the Kazakh constitution. The main test for terminating a subsurface use contract, i.e. 'change of economic interests of Kazakhstan creating a threat to national security' is unclear and will be determined at the discretion of the relevant state authorities in each particular case.

  If the introduction of amendments proposed by the Competent Authority fails or is otherwise not agreed, the Competent Authority may unilaterally terminate the relevant subsoil use contract if the following conditions are met:

  (1) if within a period of up to two months after the receipt of the Competent Authority's notice of a required amendment and/or an addition to the relevant subsoil use contract, the subsoil user fails to give its consent in writing to the conduct of such negotiations or if it refuses to conduct them; or

  (2) if within a period of up to four months after the receipt of the subsoil user's consent to negotiate a required amendment and/or addition to the relevant contract, the subsoil user and the Competent Authority fail to reach an agreement on the amendment and/or addition to the contract; or

  (3) if within a period of up to six months after the date of achievement of a mutually agreed decision on restoration of economic interests of the state, the parties fail to sign the agreed amendments and/or additions to the contract,

  In addition, as an ultimate means of sanction, the Competent Authority (based on a decision of the Kazakh Government) has the right to unilaterally terminate a subsoil use contract in respect of a strategic deposit, if the Kazakh Government believes that there is a threat to national security, by giving two months' advance notice.

  Notwithstanding the breadth of these definitions, the national security threat test appears to be of a sufficiently high standard to ensure that the Kazakh Government should only use its unilateral termination right without abuse.

  From public discussions preceding the enactment of the New Subsoil Law, it was apparent that this provision, as well as certain other provisions of the New Subsoil Law, were meant to strengthen the Kazakh Government's legal options in confronting the group of largest subsoil users not willing to cooperate with the Kazakh Government's efforts to re-negotiate economic terms of underlying subsoil use contracts. Since the enactment of the New Subsoil Law, according to publicly available information, the Kazakh Government has never officially

invoked this provision with respect to any of the strategic deposits. See "*Risk Factors—Risk Factors Relating to the Oil and Gas Industry—The Group may be unable to comply with its obligations under the PSA and the Licence" and "Risk Factors—Risk Factors Risks Relating to Kazakhstan—The Group is exposed to the risk of adverse sovereign action by the Kazakh Government*".

- *Procurement Rules*

  In replication of the Old Subsoil Law, the New Subsoil Law generally requires subsoil users to comply with certain local content requirements, including the use of Kazakhstan suppliers and personnel. These general requirements should be detailed in subsoil use contracts. Further, the New Subsoil Law purports to extend certain provisions relating to specific Kazakh content requirements to subsoil use contracts executed prior to the enactment of the New Subsoil Law. See "*Risk Factors—Risk Factors Relating to the Oil and Gas Industry—The Group may be unable to comply with its obligations under the PSA and the Licence*" and "*Risk Factors Risks Relating to Kazakhstan—The Group is exposed to the risk of adverse sovereign action by the Kazakh Government*".

*New Law on Trunk Pipeline*

The Law on Trunk Pipeline No.20 V dated 22 June 2012 (the "**Trunk Pipeline Law**") provides a unified legislative basis for the construction, ownership, and operation of trunk pipelines and represents another step towards extending the State's control over strategic industries.

Pursuant to the Trunk Pipeline Law, the State will have a priority right to participate in any newly constructed trunk pipelines with an interest of no less than 51%. Further, the Trunk Pipeline Law provides that, for trunk pipelines where the State, national management holding company, or national company directly or indirectly owns 50% or more of the shares or participatory interests, operator services must be provided by the national operator, unless the Kazakh Government decides to authorise another legal entity (in which the State, a national management holding company, or a national company owns 50% or more of the shares or participatory interests) to provide such services in order to comply with international treaties.

The Trunk Pipeline Law (as well as the legislation regulating natural monopolies) provides for the equal right of shippers to access trunk pipeline services if there is free throughput capacity, subject to certain statutory limitations. If there is limited throughput pipeline capacity, oil and oil product transportation services must be rendered in the priority established by the Trunk Pipeline Law, where first priority is given to shippers supplying oil to domestic refineries. The Trunk Pipeline Law also provides for the possibility of swap operations (i.e., swap of products by one shipper for the products of another shipper) for the purposes of supplying oil to domestic refineries and gas to the domestic market and/or outside Kazakhstan, upon written consent of the pipeline owner (or any other person legally holding rights to the pipeline), the Competent Authority, and the relevant swapping entities.

*New Law on Gas and Gas Supply*

The Law on Gas and Gas Supply No.532 IV dated 9 January 2012 (the "**Gas Law**") consolidates and streamlines the various parts of legislation that previously regulated this area.

Pursuant to the Gas Law, state ownership of associated gas has been further elaborated. The State is the owner of associated gas produced in Kazakhstan (under all new contracts and old contracts that provide that the State is the owner of the associated gas) and transferred to the State by oil producers (under old contracts that provide that the subsoil user is the owner of the associated gas).

The Gas Law establishes the State's priority right to purchase (through a national operator) on terms no less favourable than those offered by a third party: (i) any facility within an integrated sales gas supply system (connecting pipeline, trunk pipelines, sales gas storage facilities and other facilities for production, transport, storage, sale and consumption of gas); (ii) a share in the right of common ownership over such facilities, and (iii) shares (participatory interest) in the owner of such facilities (i.e. any oil producer that owns gas processing facilities or connecting pipelines for sales of gas).

Further, the Gas Law provides for the State's priority right to buy (through the national operator) purified gas at a price approved by the Competent Authority and calculated pursuant to a formula provided in Kazakh Government decree. If the State waives its priority right, the seller may sell the gas to a third party.

***The Competent Authority and other regulatory authorities***

*General*

The State plays a role in four areas of subsoil management. Firstly, the Kazakh Government is, *inter alia*, responsible for organising and managing state-owned reserves; outlining deposits available for a tender; imposing restrictions on subsoil use for the purposes of national security, environmental security and the protection of the life and health of the population; defining procedures for the conclusion of contracts; approving model contracts; appointing the Competent Authority; regulating oil and gas export by imposing customs, protection, anti-dumping and compensation duties and quotes; establishing quotes for oil transportation by various transport methods; appointing IDC members to exercise the State's Pre-Emptive Right; and approving a number of normative legal acts in the sphere of oil and gas. Secondly, the state executes, implements and monitors subsoil use contracts through the Competent Authority (currently the Ministry of Oil and Gas), which has the power to execute and implement oil and gas contracts, and through a number of other state agencies. Thirdly, the State's Pre-Emptive Right is exercised through the national management holding company (JSC National Welfare Fund Samruk-Kazyna), the national oil and gas company (NC KMG) and authorised state agencies. Finally, local executive authorities have responsibility for, *inter alia*, granting land to subsoil users; supervising the protection of the land; and participating in negotiations with subsoil users for environmental and social protection.

*The Ministry of Oil and Gas*

According to resolutions of the Kazakh Government adopted in 2010, the Ministry of Oil and Gas is the Competent Authority and the Authorised Oil and Gas Agency. According to the New Subsoil Law and other effective legislation, the Ministry of Oil and Gas is responsible for, *inter alia*:

- implementing the state's policy in oil and gas, petrochemical and hydrocarbon transportation industries;
- representing the State's interests in production sharing agreements;
- organising tenders for grants of subsoil use rights for oil and gas exploration and production and preparing lists of blocks for tenders for consideration and approval by the Kazakh Government;
- executing and registering oil and gas contracts;
- approving working programmes and annual working programmes related to oil and gas contracts;
- monitoring compliance with the terms of oil and gas contracts;
- issuing permits for the transfer of subsoil use rights and registration of transactions involving pledges of subsoil use rights, as applicable to oil and gas projects;
- suspending and terminating subsoil use contracts in oil and gas in accordance with the procedures set forth in the New Subsoil Law;
- jointly, with the Anti-monopoly Agency, regulating activities of natural monopolies and relevant investment programmes;
- determining the amounts of oil and gas to be supplied by subsoil users to the domestic market;
- undertaking actions for equal access by subsoil users to the main pipelines;
- monitoring compliance of oil and gas subsoil users with requirements to purchase certain amounts of goods and services from local providers;
- licensing the activities related to engineering and exploitation of oil and gas facilities and engineering of trunk pipelines;
- approving gas utilisation programmes; and
- issuing permits for using money in the liquidation fund.

*Other regulatory authorities*

Other governmental ministries and authorities which regulate aspects of hydrocarbon extraction in Kazakhstan include:

- the Ministry of Environment and Water Resources (the "**MEWR**"), which is responsible for environmental protection and preservation of mineral resources;
- the Ministry of Industry and New Technologies (the "**MINT**"), which is the competent state body for subsoil users carrying out exploration and production activities in mining areas (except for the commonly occurring minerals);
- Committee for Standardisation, Metrology and Certification, which supervises compliance of oil and gas equipment with quality and safety standards in Kazakhstan;

- Committee of Geology and Subsoil Use, which issues geological and mining allotments;
- the Ministry of Emergency Situations which, *inter alia*, supervises mining operations, and whose Committee on State Control of Emergency Situations and Industry Safety (the "**CSCES**") supervises health and safety matters, among other things;
- various governmental authorities responsible for the approval of construction projects and the use of water and land resources;
- the Committee for State Sanitary and Epidemiological Supervision of the Ministry of Public Health, which is responsible for monitoring compliance with health standards;
- the Ministry of Labour and Social Protection of the Population, which is responsible for investigating labour disputes and complaints from individual employees and monitors compliance with subsoil users' obligations to give preference in hiring, (including employing a certain minimum percentage of), Kazakh nationals;
- regional and municipal regulatory authorities, which are responsible for registering properties, pledges and mortgages; and
- central and regional tax authorities.

***Environmental permits***

An environmental permit ("**EP**") is a special permit that grants a subsoil user a temporary right to emit or disburse emissions into the atmosphere and discharge waste substances into surface and underground waters. EPs contain the conditions governing the user's impact on the environment. The obligation to obtain an EP arises not only as a matter of law, but also under the PSA and the subsoil use contracts in respect of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields. Companies which have an impact on the environment (polluting, discharging waste, etc.) are required to obtain an EP. An EP is normally issued for up to five years, either by regional executive authorities or the MEWR. Fees for pollution of the environment are established by the Tax Code of Kazakhstan and may be increased (within certain limits) by local representative bodies (Maslikhat). The holding of an EP shall not exempt a subsoil user from liability to pay compensation for damage to the environment caused by its activities, or from any administrative or criminal liability.

On 24 December 2013, the MEWR granted Nostrum an EP valid until 31 December 2014, renewable on an annual basis, subject to Nostrum's compliance with its terms and conditions and applicable environmental laws. According to the EP granted to the Group, Nostrum is allowed to emit and discharge pollutants and store industrial and other wastes in the amounts not exceeding certain pre-set thresholds as set forth in the EP. For risks related to Nostrum's breach of terms and conditions of the EP, see "*Risk Factors—Risk Factors Relating to the Oil and Gas Industry—The Group is obliged to comply with environmental regulations and cannot guarantee that it will be able to comply with these regulations in the future*".

Nostrum is generally in compliance with material national and international regulations and standards associated with onshore oil and gas production (as confirmed by AMEC during its environmental, health and safety due diligence review in 2013). Only minor areas of non-compliance associated with hazardous waste storage were identified by AMEC, which do not require complex mitigation.

In February 2009, Kazakhstan ratified the Kyoto Protocol to the United Nations Framework Convention on Climate Change (the "**Kyoto Protocol**"). Ratification of the Kyoto Protocol, which is intended to limit or discourage emissions of greenhouse gases such as carbon dioxide, had an impact on environmental regulations in Kazakhstan. The effect of such ratification in other countries is still unclear, and accordingly, potential compliance costs associated with the Kyoto Protocol are unknown.

The Kazakhstan Environmental Code (dated 9 January 2007, as amended) (the "**Environmental Code**") sets out the framework of climate change control in Kazakhstan, which came into force on 1 January 2013. Starting from 1 January 2013, no person may carry on a specified activity (this includes energy activities) without quotas set out in the relevant greenhouse gas emissions certificate to be issued annually by the Environmental Control Committee, although legal entities not emitting more than 20,000 tonnes of carbon dioxide in a year are exempted from this prohibition. Provisions have been made in relation to applications for a greenhouse gas emission certificate, including the required information relating to the installation in respect of which the certificate is sought, the programme for the reduction of emissions and the planned arrangements for the implementation of the programme, including the grounds on which an application may be refused.

Emissions quotas are allocated pursuant to a national allocation plan. The quotas in a national allocation plan for existing installations are established at the level of emissions made in the previous year pursuant to the Resolution of the Government of the Republic of Kazakhstan No. 586 dated 7 May 2012. For 2013, the national allocation plan was approved by the Resolution of the Government of the Republic of Kazakhstan No. 1588 dated 13 December 2012. According to Annex 2 to

the national allocation plan, Nostrum may not emit more than 240,259 tonnes of $CO_2$ or 240,259 emission units (subject to obtaining an emissions certificate).

***Water permits***

The Water Code dated 9 July 2003 No. 481 (the "**Water Code**") aims at implementing governmental policy in relation to the utilisation and protection of water resources. The Water Code sets out obligations for the use of water and discharge of certain materials into the water, on the basis of Water Use Permits (or "**WUPs**"). Nostrum was issued a WUP for exploration and production of industrial technical underground waters on 5 December 2008 and which is valid until 31 December 2014. On 14 January 2014, the Group applied for a further WUP for the 2015 to 2016 period. See "*Risk Factors—Risk Factors Relating to the Group's Business—The Group requires significant water supplies in order to conduct its business and failure to obtain such water may adversely affect its business*". WUPs can be withdrawn if the terms of special water use specified in the relevant WUP are breached. Such terms include monitoring the quality of underground water, submitting statistical reports and monitoring reports, complying with requirements relating to water protection during mining operations and regular checking of equipment. If any of Nostrum's circumstances relating to its water use change (for example, in relation to the drilling of new wells, the quality of underground water or limits on water extraction), Nostrum must agree such changes with the regional department of the Committee for Water Resources of the MEWR. The term of a WUP may be extended subject to compliance with requirements specified within the relevant WUP. Management believes that Nostrum's current WUP fully suffices for its existing water requirements.

***Enforcement***

Article 116 of the Environmental Code specifies which state officials are responsible for monitoring environmental compliance and enforcing environmental requirements. These officials include the Chief State Ecological Inspector, the Deputy State Ecological Inspector and other regional officials who have the authority to supervise environmental compliance and initiate judicial proceedings.

Article 117 of the Environmental Code authorises state officials, in their enforcement of environmental protection measures, to, *inter alia*:

- inspect facilities and take measurements and/or samples for analysis;
- request and receive documentation, results of analysis and other materials;
- initiate procedures relating to the (i) recall of licences; (ii) termination of contracts for the use and taking of natural resources; and (iii) suspension and annulment of environmental and other permits in the event of violation of the terms of such permits;
- issue orders for individuals and legal entities to eliminate violations of Kazakh environmental laws;
- file court claims with respect to violations of Kazakh laws; and
- file with the competent body, offers on suspension or termination of a subsoil use contract in certain circumstances.

***Statute of limitations on proceedings***

The time limit for bringing civil proceedings for breach of environmental requirements is governed by the general limitation period provisions under Kazakh law, in particular, under Article 178 of the Civil Code which provides for a three-year limitation period. This limitation does not apply to regulatory procedures, criminal or administrative prosecutions in connection with breaches of environmental requirements, since administrative and criminal laws establish their own limitation periods.

**Health and safety compliance**

Nostrum's business is affected by various laws and normative acts of the Republic of Kazakhstan, relating to safety and health matters and regulated by various state bodies, including the Committee for State Sanitary and Epidemiological Supervision of the Ministry of Public Health. Such laws and normative acts include the Sanitary Rules "Sanitary and Epidemiological Requirements of the Facilities of Oil Producing Industry" approved by the Government Resolution No. 167, dated 25 January 2012 and other normative acts setting requirements for industry safety in the oil and gas industry. Oil and gas operations carried out by Nostrum within Kazakhstan are also regulated by the CSCES with respect to industry specific health and safety requirements. As part of the health and safety assessment dated 31 July 2013, AMEC reported that Nostrum generally complied with health and safety standards applicable to the Kazakhstan oil and gas industry. The health and safety assessment of Nostrum conducted by AMEC found no significant non-compliance issues with applicable laws and regulations.

Nostrum's operations are subject to legislation, regulations and other requirements relating to health and safety applicable to oil and gas companies operating in Kazakhstan, which are regulated by state authorities, including the Ministry of Labour and Social Protection of the Population. The PSA for Chinarevskoye and subsoil use contracts in respect of the Rostoshinskoye, Darinskoye and Yuzhno-Gremyachenskoye fields, additionally require that Nostrum's operations be carried out in conformity with applicable health and safety requirements.

### Insurance

Kazakhstan law establishes several types of mandatory insurance to be obtained by any entity conducting certain types of activities. As at the date of this Offering Memorandum, Nostrum is in compliance with all mandatory insurance requirements under Kazakh law.

The following types of mandatory insurance are applicable to the oil and gas industry under Kazakh law:

#### *Insurance of Employees against Accidents at Work*

According to the Kazakhstan Law "On Mandatory Insurance of an Employee against Accidents when Carrying Out Employee's Labour Duties" (No. 30-III ZRK, dated 7 February 2005, as amended), all employers are obliged to insure employees against accidents when carrying out their employment duties.

#### *Insurance of the Civil Liability of Transport Vehicle Owners*

According to the Kazakhstan Law "On Mandatory Insurance of the Civil Liability of Transport Vehicle Owners" (No. N 446 II, dated 1 July 2003, as amended), civil liability of owners of cars, trucks, buses, microbuses, and transport vehicles, motor transport and trailers (semi-trailers) are subject to mandatory insurance requirements, and any use of such vehicles without insurance is prohibited.

#### *Environmental Insurance*

Pursuant to the Kazakhstan Law "On Mandatory Environmental Insurance" (No. 93-III ZRK, dated 13 December 2005, as amended), any entity carrying out environmentally hazardous activities should insure against the risks associated with such activities. Environmental insurance should cover damages to life, health and property of third parties and the environment caused as a result of an environmentally hazardous activity (except for payments for moral damage, loss of profit and payment of penalty interest).

According to Article 7 of the List of Environmentally Hazardous and Other Activities, approved by the Governmental Resolution "On Approval of the List of Environmentally Hazardous and Other Activities" (No. 543, dated 27 June 2007), oil and gas commercial production; oil, oil products and chemicals storage; and operating oil and gas main pipelines are classified as environmentally hazardous types of activities.

#### *Insurance of Civil Liability of Danger Units Owners*

According to the Kazakhstan Law "On Industrial Security of the Hazardous Manufacturing Units" (dated 3 April 2002, No. 314 II) and the Kazakhstan Law "On Mandatory Insurance of Civil Liability of Owners of Units the Activity of which is Associated with Danger of Damage to Third Parties" (No. 580 II, dated 7 July 2004, as amended), companies must insure against risks associated with their hazardous manufacturing units, defined as a unit that produces, uses, processes, generates, stores, transposes or destroys at least one of the following substances: flammable substances, explosives, fuels, oxidising agents, toxic agents, highly toxic substances and other hazardous substances.

For additional information, please see "*Business—Insurance*".

### Licensing of Subsoil Services, Storage and Pipeline Transportation

In July 2007, the new Kazakhstan Law "On Licensing" came into force (the "**Licensing Law**"). According to the Licensing Law, operations concerning the production of oil and gas and the operation of oil and gas main pipeline are licenced activities. Subsoil services (such as the drilling of oil and gas wells and other related services) are also subject to licensing.

A licence is not transferable from an existing facility to another. It is granted for an unlimited period of time by the Competent Authority after submission of the required documentation confirming that the facility fulfils all applicable requirements and payment of a fee.

A licence can be suspended or terminated in case a licensee fails to comply with qualification requirements, including but not limited to, a lack of qualified personnel or proper equipment.

If a legal entity conducts activities without the relevant licence, as required by the Licencing Law, such entity and its managers are subject to administrative and criminal liability.

Nostrum is not required to obtain most licences for operations on oil and gas production, as it engages third parties which already possess the relevant licences including the licenses for performing drilling operations.

However, Nostrum does hold licences for the following types of activities:

- operating main gas, oil and oil products pipelines (State licence no. 000102 09, dated 7 March 2012); and
- assembling and repair of oil and gas fields, generating power, explosion proof electrical equipment, lifting constructions, boilers with working pressure above 0.7 kg/square cubic metres and heating medium temperature above 115°, and vessels and pipelines working under pressure exceeding 0.7 kg/square cubic metres (State licence no. 002596), dated 19 February 2009).

**Oil and Gas Export Duties**

The export duty for crude oil exports was effectively replaced with a rent tax under the 2009 Tax Code, but in 2010, the Kazakh Government re-introduced an export duty for crude oil exports.

On 15 October 2005, the Kazakh Government adopted Resolution No. 1036, which approved a list of certain oil products on which an export customs duty was levied (the "**ED Resolution**"). Initially, one of the purposes of the ED Resolution was to stimulate development of internal refinery/processing industries. By amendments to the ED Resolution, dated 8 April 2008, "crude oil" was added to the list of oil products covered by the ED Resolution.

As of 14 April 2013, the rate of export customs duty for crude oil is U.S.$60 per tonne. The ED Resolution provides that the export duties for crude oil shall not apply to (i) export by subsoil users of crude oil produced under their production sharing agreements, if such agreements had been signed with the Kazakh Government or the Competent Authority before 1 January 2009, and such agreement had undergone a mandatory tax appraisal and contains a specific exemption from paying export customs duties for crude oil, and (ii) export by subsoil users of crude oil produced under their subsoil use contracts, which are not production sharing agreements and which provide for an exemption from paying export customs duties for crude oil, except for crude oil that is exported by subsoil users paying royalties. In addition to these exemptions, a specific export duty applies if the importing countries are party to the Free Trade Zone Treaty of 18 October 2011 between CIS countries (including Ukraine) except as may be otherwise provided in the treaty.

Notwithstanding this, the authorities currently seek to impose export customs duty in all cases pursuant to the ED Resolution. Nostrum has written to the Ministry of Finance and the Competent Authority to state that Nostrum is not subject to such export duty and to protest against the application of such duty to it. However, to date, the Ministry of Finance continues to seek to compel Nostrum to pay such export duty. Nostrum therefore currently pays such export duty under protest. See "*Risk Factors—Risk Factors Relating to the Group's Business—The Group is subject to an uncertain tax environment that may lead to disputes with regulatory authorities*".

**Anti-monopoly regulation**

The Anti-monopoly Agency is responsible for the supervision of competition matters, including those relating to the oil and gas industry. It regulates the competitive behaviour of legal entities that are not natural monopolies and supervises legal entities that hold dominant positions in a particular commodity market. The Anti-monopoly Agency also maintains a register of legal entities having a dominant or monopolistic position in the market.

In accordance with the Kazakhstan Competition law (dated 25 December 2008) (the "**Competition Law**"), a company is deemed to occupy a dominant position if its market share is equal to or exceeds a threshold of 35%. In addition, if not more than three entities in a relevant market hold an aggregate market share of 50% or more, or if not more than four entities in a relevant market hold an aggregate market share of 70% or more, each is deemed to hold a dominant market position, provided that, if an entity holds a market share not exceeding 15% of the relevant market, such entity shall not be deemed to hold a dominant market position.

Market participants that intend to engage or have engaged in an economic concentration must obtain approval from the Anti-monopoly Agency or properly notify it of the engagement, depending on the type of concentration.

According to the Competition Law, an economic concentration is:

(1) reorganisation of a market participant through a merger or consolidation;

(2) acquisition by a person (or a group of persons) of voting shares (or participation interests in charter capital or participatory shares) in a market participant where such person (or group of persons) gains the right to dispose of more than 25% of such shares (or participation interests in charter capital or participatory shares) if prior to such acquisition such person (or group of persons) did not possess shares (or participation interests in charter capital or participatory shares) in such market participant or possessed 25% or less of the voting shares (or participation interests in charter capital or participatory shares) in the charter capital of such market participant;

(3) acquisition by a market participant (or a group of persons) of fixed production assets and/or intangible assets of another market participant into ownership, possession and use, including in payment (transfer) of charter capital if the book value of the property constituting the subject of the transaction (inter-related transactions) exceeds 10% of the book value of the fixed production assets and intangible assets of the market participant alienating or transferring the property;

(4) acquisition by a market participant (including on the basis of a trust management agreement, joint operation agreement or agency agreement) of rights which allow such market participant to issue binding instructions to the other market participant for the conduct of its business activities or to perform the functions of its executive body; or

(5) participation of the same individuals in the executive bodies, boards of directors, supervisory boards or other management bodies of two or more market participants, provided that such individuals determine the terms of business activities conducted by such market participants.

Either of the above transactions effected within one group of entities is not considered to be an economic concentration and as such does not require approval from or notification to the Anti-monopoly Agency.

Approval by the Anti-monopoly Agency (for transaction(s) numbered (1) to (3) immediately above) or the notification to the Anti-monopoly Agency (for transactions numbered (4) and (5)) is required when the aggregate book value of assets of the reorganised market participants (or group of persons) or the acquirer (or group of persons) and the market participant whose voting shares (or participation interests in charter capital or participatory shares) are acquired, or their aggregate sales of goods in the most recent financial year exceed by ten times the monthly calculation index in effect in the year of filing an application for approval (notification) (which is currently approximately U.S.$119 million), or if one of the parties to the transaction is a market participant occupying a dominant or monopoly position on the relevant goods market.

In general, it is the responsibility of the purchaser, which acquires shares (participation interests, stocks), fixed production assets, intangible assets or respective rights, to obtain prior approval from the Anti-monopoly Agency.

A company which engages in an economic concentration without the applicable approval of or notification to the Anti-monopoly Agency in violation of the Competition Law may be subject to administrative fines and penalties.

State registration, re-registration of a market participant, rights to real estate and economic concentration conducted in violation of the requirements of the Competition Law discussed above may be invalidated and cancelled by a court on the basis of an action brought by the Anti-monopoly Agency.

## DIRECTORS AND SENIOR MANAGEMENT

The Partnership Agreement provides for the management of Nostrum Oil & Gas LP business and affairs by a general partner rather than a board of directors and officers. Nostrum Oil & Gas Group Limited, the General Partner and an Isle of Man limited company, has a board of directors (the "**Board**") which includes the following members.

### Board of Directors

As at the date of this Offering Memorandum, the members of the Board and their positions are:

| Name | Position | Year of Birth |
|---|---|---|
| Frank Monstrey | Executive Chairman | 1965 |
| Kai-Uwe Kessel | Chief Executive Officer | 1961 |
| Eike von der Linden | Senior Independent Non-Executive Director | 1941 |
| Atul Gupta | Independent Non-Executive Director | 1959 |
| Steve McGowan | Independent Non-Executive Director | 1966 |
| Mikhail Ivanov | Non-Executive Director | 1969 |
| Piet Everaert | Non-Executive Director | 1961 |
| Pankaj Jain | Non-Executive Director | 1967 |

***Frank Monstrey (Executive Chairman)***

Mr. Monstrey was appointed as a director of the General Partner on 16 November 2007 and has served as chairman of the partners participating in Nostrum since September 2004. Since 1991, Mr. Monstrey has been Chief Executive Officer of Probel, a private equity and asset management firm based in Belgium specialising in long-term capital management in emerging markets. Mr. Monstrey holds a graduate degree in Business Economics from the University of Louvain (KUL).

***Kai-Uwe Kessel (Chief Executive Officer)***

Mr. Kessel was appointed as a director of the General Partner on 16 November 2007 and has served as chief executive of the partners participating in Nostrum since November 2004. Since 2005, Mr. Kessel has been Managing Director of Probel. From 2002 to 2005, Mr. Kessel was director of Gaz de France's North African E&P division. From 1992 to 2001, Mr. Kessel was Managing Director of Erdgas Erdol GmbH, an oil and gas company owned by Gaz de France, and a member and chairman of the board of KazGermunai. Mr. Kessel is a graduate of the Gubkin Russian State University of Oil and Gas.

***Eike von der Linden (Senior Independent Non-Executive Director)***

Mr. von der Linden was appointed as a director of the General Partner on 16 November 2007. He has been the Managing Director of Linden Advisory and Consulting Services since 1988. Since 1985, Mr. von der Linden has acted as an independent adviser to financial institutions for equity investments, mezzanine and debt funding (project finance) in the field of natural resources. Mr. von der Linden holds a PhD in mining economics from the Technical University of Clausthal.

***Atul Gupta (Independent Non-Executive Director)***

Mr. Gupta was appointed as a director of the General Partner on 30 November 2009. Mr. Gupta has worked for 25 years in the international upstream oil and gas business with Charterhouse Petroleum, Petrofina, Monument and Burren Energy. Mr. Gupta joined Burren in 1999 as Chief Operating Officer and served as its Chief Executive Officer from 2006 until the company was sold to ENI in 2008. Mr. Gupta has a degree in chemical engineering from Cambridge University and studied petroleum engineering at the Heriot Watt University, Edinburgh.

***Steve McGowan (Independent Non-Executive Director)***

Mr. McGowan was appointed as a director of the General Partner on 16 November 2007. He has been an executive chairman of SMP Partners Fiduciary and Trust Company in the Isle of Man since January 2007 and serves as a member of the board of Edasco (a fiduciary company owned by UBS). Prior to this, Mr. McGowan served as managing director of Intertrust (Isle of Man) from 2001 to 2007. Mr. McGowan started his banking career at National Westminster Bank in London in 1982.

***Mikhail Ivanov (Non-Executive Director)***

Mr. Ivanov was appointed as a director of General Partner on 30 November 2009. Mr. Ivanov previously is also a Partner and Director of Oil and Gas Projects at Baring Vostok Capital Partners and is the Chief Executive Officer of Volga Gas. Mr. Ivanov has over 15 years' experience in the oil and gas industry, including 10 years working for the Schlumberger

Group. During his time with Schlumberger Mr. Ivanov assumed various management and technical positions in Russia, the USA and the United Kingdom and he was responsible for Schlumberger's operations in Iran, Georgia and Azerbaijan. Mr. Ivanov holds an M.S. degree in Geophysics from Novosibirsk State University and an M.B.A. from the Kellogg School of Management of Northwestern University. He is an elected member of the Society of Petroleum Engineers.

***Piet Everaert (Non-Executive Director)***

Mr. Everaert was appointed as a director of the General Partner on 16 November 2007. He has been a lawyer at the Brussels Bar since 1986 and has served as a partner of the VWEW Advocaten law firm since 1993. He is active in the field of Belgian business law. Mr. Everaert graduated from the University of Leuven (KUL) in 1984 and obtained the Diploma of Advanced European Legal Studies at the College of Europe (Bruges-Belgium) in 1985. Mr. Everaert is Claremont's nominee on the Board pursuant to the terms of the Claremont Relationship Agreement.

***Pankaj Jain (Non-Executive Director)***

Mr. Jain was appointed as a director of the General Partner on 26 November 2012. Since 2012, Mr. Jain has been CEO of KSS Global and has over 20 years of experience in engineering, procurement and construction projects in India, Kazakhstan, the Middle East and the Far East. Mr. Jain is a graduate from the Regional Engineering College, Trichy, India (B.E. Hons in Civil Engineering (Major: oil and gas infrastructure)). Mr. Jain is KSS Global's nominee on the Board pursuant to the terms of the KSS Global Relationship Agreement.

The business address of each of the directors and the members of senior management is Nostrum Oil & Gas LP's principal place of business, at Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands.

**Senior Management**

As at the date of this Offering Memorandum, in addition to the Board, the members of the senior management and their positions are:

| Name | Position | Year of Birth |
|---|---|---|
| Jan-Ru Muller | Chief Financial Officer | 1964 |
| Thomas Hartnett | Group General Counsel | 1964 |
| Jan Laga | Deputy CEO | 1963 |
| Thomas Richardson | Head of Corporate Finance | 1981 |

***Jan-Ru Muller (Chief Financial Officer)***

Mr. Muller was appointed as Chief Financial Officer of Nostrum on 16 November 2007. Mr. Muller has served in various capacities at Probel since 2000. He oversaw Nostrum's adoption of IFRS and the implementation of SAP. Mr. Muller has been the managing director of Axio systems, an information technology company he founded in 1990. From 1988 to 1990 he worked with Andersen Consulting. He holds a BEng degree from Utrecht Municipal Institute of Technology and an MBA degree from the University of Louvain (KUL).

***Thomas Hartnett (Group General Counsel)***

Mr. Hartnett was appointed as Group General Counsel of Nostrum on 5 September 2008. Mr. Hartnett was previously a partner in the international law firm White & Case LLP, where he focused on cross-border corporate and mergers and acquisitions transactions and worked in the firm's New York, Istanbul, London, Brussels and Bangkok offices over a 16 year period. Mr. Hartnett also served as Senior Corporate Counsel for Intercontinental Hotels Group from 1996 to 1998. Mr. Hartnett holds a BA in Comparative and Developmental Politics from the University of Pennsylvania and a JD from the New York University School of Law, and is a member of the New York Bar.

***Jan Laga (Deputy CEO)***

Mr. Laga was appointed as deputy CEO of Nostrum on 1 January 2010. Mr. Laga has over 20 years of experience in industrial group management, including positions with Picanol, Berry Group, Ackermans & van Haaren and Koramic. Mr. Laga holds a Master's Degree in Electro-Mechanical Engineering (University of Leuven (KUL) and an MBA from Insead.

***Thomas Richardson (Head of Corporate Finance)***

Mr. Richardson graduated from Bristol University with a BSc in Economics and Politics. Mr. Richardson has seven years of experience in banking covering the emerging markets and has been involved in raising over U.S.$5 billion for emerging markets companies in the capital markets. He also has two years of experience in consultancy work across the emerging markets, being involved in over $1.25 billion of financings.

### Service Contracts and Compensation

Under the terms of their service contracts and applicable incentive plans, in the year ended 31 December 2012, the aggregate remuneration, including bonuses and benefits in kind, granted to the Directors and Senior Management who served during 2012 was U.S.$1,912,000.

In the financial year ended 31 December 2012, the Directors and Senior Managers were entitled to the remuneration and benefits set out below (in U.S.$ thousands):

| Name | Salary/Fee | Benefits in kind | Pension | Annual Bonus | Total |
|---|---|---|---|---|---|
| Frank Monstrey | 673[1] | — | — | — | 673[1] |
| Kai-Uwe Kessel | 586[1] | — | — | 203[1] | 789[1] |
| Eike von der Linden | 100 | — | — | — | 100 |
| Atul Gupta | 100 | — | — | — | 100 |
| Steve McGowan | 100 | — | — | — | 100 |
| Mikhail Ivanov | 100 | — | — | — | 100 |
| Piet Everaert | 100 | — | — | — | 100 |
| Pankaj Jain | 100 | — | — | — | 100 |
| Senior Managers | 1,523[1] | — | — | 389[1] | 1,912[1] |

(1) Converted into U.S. Dollars from Euro at the exchange rate reported by the European Central Bank as at 31 December 2012 of U.S.$1.32 per Euro.

There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Offering Memorandum.

There were no amounts set aside or accrued to provide pension, retirement or other benefits to the Directors and senior managers of the Group for the year ended 31 December 2012.

Save as disclosed in this Offering Memorandum, there have been no changes to the emoluments or the terms of employment of the Directors or senior management within the six months prior to the date hereof.

### Interests of the Directors and Senior Managers

Prior to the admission to listing of the GDRs on the IOB, Frank Monstrey, the Chairman of the Board, indirectly controlled 100% of the limited partnership interests of Nostrum Oil & Gas LP, and no other director or senior manager of Nostrum Oil & Gas LP had any direct or indirect ownership interest in Nostrum Oil & Gas LP. As at the date of this Offering Memorandum, Frank Monstrey indirectly controls 27.2% of the issued and outstanding Common Units. For a description of the various voting rights that attach to the Common Units see "*Related Parties and Related Party Transactions—Relationship Agreement with Thyler, the General Partner and Claremont*".

The Board approved on 27 March 2008 a grant of Options to take place upon the admission to listing of the GDRs on the IOB in respect of 2.5% of the Common Units outstanding immediately prior to the admission to listing of the GDRs on the IOB (being 100,000,000 Common Units) and on 30 December 2009, the Board approved the grant of certain additional Options.

The following persons hold the following options over Common Units exercisable at U.S.$4.00 per GDR and expiring ten years from the date of grant (i) Kai Uwe Kessel—900,974 Common Units, (ii) Jan-Ru Muller—120,130 Common Units and (iii) Thomas Hartnett—180,325 Common Units.

The following persons hold the following options over Common Units exercisable at U.S.$10.00 per GDR and expiring ten years from the date of grant (i) Kai-Uwe Kessel—200,000 Common Units, (ii) Jan-Ru Muller—70,000 Common Units, (iii) Thomas Hartnett—70,000 Common Units, (iv) Jan Laga—140,000 Common Units and (v) Thomas Richardson—100,000 Common Units.

Mr. Kessel also owns 10,000 GDRs, Mr. Everaert owns 14,500 GDRs, Mr. Jain owns 19,700 GDRs, Mr. Laga owns 1,000 GDRs and Mr. van der Linden owns 12,000 GDRs.

In addition, Mr. Ivanov owns U.S.$500,000 of the 2015 Bonds and U.S.$1,500,000 of the 2019 Bonds, Mr. Gupta owns U.S.$200,000 of the 2019 Bonds, Mr. von der Linden owns U.S.$200,000 of the 2019 Bonds and Mr. Kessel owns U.S.$150,000 of the 2015 Bonds.

Save as set out in this section, none of the Directors or members of the senior management (excluding interests of Mr. Monstrey) has any interests in the partnership interest or loan capital of the General Partner, Nostrum Oil & Gas LP or any of its subsidiaries.

The aggregate holdings of the Directors and members of the senior management (other than Mr. Monstrey) together represent 0.03034% of the limited partnership interests of Nostrum Oil & Gas LP as at the date of this Offering Memorandum.

Nostrum Oil & Gas LP entered into the Relationship Agreement on 28 March 2008 with Thyler, Nostrum Oil & Gas Group Limited and Claremont to ensure that their relationship is on arm's length terms. Further details of the Relationship Agreement are set out in "*Related Parties and Related Party Transactions—Relationship Agreement with Thyler, the General Partner and Claremont*".

In September 2012, the Board of Directors of Nostrum Oil & Gas Group Limited approved the appointment of Pankaj Jain to the Board of the General Partner. Mr. Jain was nominated as a director by KSS Global and is the Chief Executive Officer of the KSS Group. Companies in the KSS Group constructed Group's existing gas treatment facility and also perform drilling services for Zhaikmunai LLP. As such, should any Group company contemplate entering into any agreement or arrangement with a member of the KSS Group, there may be a conflict of interest between the duties of Mr. Jain to Nostrum Oil & Gas LP (if he is appointed to the Board) and his duties to the KSS Group. As a result, pursuant to the Board's conflicts rules and applicable law, Mr. Jain would not participate in discussions or voting regarding any such agreements or arrangements.

Mr. Ivanov and Mr. Gupta were nominated as directors by Dehus Dolmen Nominees, an Affiliate of Baring Vostok Capital Partners, which is the holder of 15.3% of the issued and outstanding Common Units.

There are no outstanding loans granted by any member of Group to any Director, nor has any guarantee been provided by any member of the Group for their benefit.

Save as set out above, no Director or senior manager has any potential conflict of interest between his duties to Nostrum Oil & Gas LP and his private interests or other duties.

The Directors are obliged to comply with the England and Wales legal requirements in relation to conflicts of interest, which include the requirement that Directors having an interest in a transaction submitted for approval to the board of directors conflicting with an interest of the General Partner, Nostrum Oil & Gas LP or certain of their respective Affiliates must advise the board of directors of the interest, and that in certain instances these requirements prevent a Director who has such an interest from counting towards the quorum of, or voting in, a meeting of the board of directors.

**Transactions with Directors**

Save as set out in "*Related Parties and Related Party Transactions—Services Agreements*" and "*Related Parties and Related Party Transactions—Other*" no Director or senior manager has, or has had, any interest in any transaction related to the Group which is or was unusual in its nature or conditions or which is, or was, significant in relation to the Group's business, and which was effected by Nostrum Oil & Gas LP or any of its subsidiaries during the current or immediately preceding financial year, or during any earlier financial year and remains in any respect outstanding or unperformed.

**Other Directorships**

Set out below are the directorships and partnerships in which the Directors and members of the senior management are currently directors or partners or have been directors or partners at any time in the five years prior to the date of this Offering Memorandum:

| Name | Current directorships/partnerships | Former directorships/partnerships held in the last five years |
|---|---|---|
| Frank Monstrey | Probel Capital Management N.V.<br>Oostendse Investerings Vennootschap N.V.<br>Magorium NV<br>Tensor Holding VOF<br>Tensor Property Investments S.A.R.L.<br>Expression Inc<br>Septemium Investments S.A.<br>Tensor Capital Partners LP<br>Tensor Carry Holdings LLC<br>Tensor Asset Management N.V.<br>Thyler Holdings Limited<br>B.M. Lumina<br>Claremont Holdings C.V.<br>Claremont Holdings Limited<br>Camden Holdings Ltd<br>Secap Holdings Ltd<br>Roding Investments S.A.<br>Orior Trading Ltd<br>Selag Holdings S.A.<br>B.M. Samara<br>BCM Holding B.V.<br>B.M. Elata<br>B.M. Clara<br>Nedmac BV<br>Thyler Holdings BV<br>Septinvest BV<br>Sepol GmbH<br>RusPetro plc | None |
| Kai-Uwe Kessel | BelGerAs, S.A.<br>Gervanca Investments Sarl<br>KazGerMunai LLP<br>Cavendish | None |
| Eike von der Linden | Linden Advisory & Consulting Services<br>Appleton Resources Ltd<br>Schüllermann und Partner AG | GLR Resources<br>Jordan Energy & Mining Ltd |
| Atul Gupta | Seven Energy<br>Vetra Energy | Dominion Petroleum PLC<br>Burren Energy PLC<br>Villiers Limited<br>Strand Oil and Gas Limited |
| Steve McGowan | Burtons Management LTD<br>Cambur LTD<br>Greencastle Holdings LTD<br>Penmara LTD<br>SMP Fund Services LTD<br>SMP Group LTD<br>SMP Partners LTD<br>SMP Capital Markets LTD<br>Amber Business Limited<br>Amber Solutions Limited<br>Amber Services Limited<br>Amber Management limited<br>PBC Corporate Services Limited<br>Sauara Limited | City Trust & Corporate Services LTD<br>Thyler Holdings Limited<br>SMP Trustees LTD<br>Vanderbil Developments LTD<br>Personal Investment & Management Solutions Limited<br>Alpenside LTD<br>Anglohaven Securities LTD<br>Eastpine Trading LTD<br>Northbridge Financial Consultants LTD<br>Scoulton Holdings LTD<br>TS Sercorp LTD<br>Lineford Limited<br>W.I.G. Limited |

| Name | Current directorships/partnerships | Former directorships/partnerships held in the last five years |
| --- | --- | --- |
| Mikhail Ivanov | Volga Gas<br>Novomet<br>Baring Vostok Capital Partners | Tzar Petrol<br>CJSC Gamma<br>LLC Fakel |
| Piet Everaert | VWEW Advocaten VOF<br>BVBA Piet Everaert | VWEW Advocaten |
| Pankaj Jain | RMG Properties<br>ABN Heritage<br>KSS Global | None |
| Jan-Ru Muller | Telco B.V. | None |
| Thomas Hartnett | Thomas Hartnett BVBA<br>Cabot Consulting Ltd.<br>Probel Capital Management N.V. | None |
| Jan Laga | Probel Capital Management<br>Jan Laga BVBA | Koramic Industries |
| Thomas Richardson | TDR Enterprises Holding Ltd.<br>TDR Investments Ltd.<br>TDR Enterprises Ltd. | None |

There are no family relationships between any of the Directors or senior managers, except that Mr. Everaert's spouse is the sister of Mr. Monstrey's spouse.

### Litigation Statement about Directors and Senior Managers

No Director or senior manager has, for at least the five years prior to the date of this Offering Memorandum:

- any convictions in relation to fraudulent offences;
- been a member of the administrative, management or supervisory bodies of any company at the time of or preceding any bankruptcy, receivership or liquidation; or
- been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) nor ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company.

### Share Option Plans

### Phantom Option Plan

The Partnership currently operates one option plan (the "**Phantom Option Plan**" or "**Plan**"). The Phantom Option Plan was initially adopted by the board of directors of the General Partner on 27 March 2008 and subsequently amended on 24 July 2008 and 14 August 2008.

To date, options relating to 2,762,348 GDRs remain outstanding (the "**Subsisting Options**"), each with a Base Value of up to U.S.$10.00.

Each Subsisting Option is a right for its holder to receive on exercise a cash amount equal to the difference between (i) the aggregate Base Value of the GDRs to which the Subsisting Option relates; and (ii) their aggregate market value on exercise.

The principal features of the plan are as follows:

#### *Operation*

The Plan is administered by the Plan Trustee (as defined below), which is responsible for granting Options (as defined below) and administering the Plan. The Plan is discretionary and will only operate in those years as the Board determines. Options under the Plan are granted as required by the Board (following the recommendation of the remuneration committee).

***Eligibility***

All employees, executive directors, and consultants of a member of the Group are eligible to participate in the Plan at the discretion of the Board (following the recommendation of the remuneration committee). However, to date, participation has only been offered to a limited number of senior employees, executive directors, and consultants of members of the Group.

***Grant of Options***

The Plan Trustee will grant Options to an employee or executive director (the "**Optionholder**") as requested by the Board. An Optionholder will be granted the right to receive, on exercise, a cash amount equal to the difference between a value set with regard to the market price of the GDRs at the date of grant of the option (the "**Base Value**") and the market value of the GDRs on the exercise date (the "**Option**"). To date, Options over 2,837,413 Common Units remain outstanding, with a Base Value between U.S.$4.00 and U.S.$10.00.

No payment is required for the grant of Options. Options will not be taken into account in determining an Optionholder's pension rights. Options are not transferable, other than to associated parties or on death.

The aggregate number of GDRs in respect of which Options may be outstanding under the Plan will not exceed 5,000,000 Common Units.

***Exercise of Options***

Options will generally be exercisable at the following times:

- as to 20% of the GDRs in respect of which an Option is granted, from the first anniversary of the date of grant;
- as to a further 20% of the GDRs in respect of which an Option is granted, from the second anniversary of the date of grant;
- as to a further 20% of the GDRs in respect of which an Option is granted, from the third anniversary of the date of grant;
- as to a further 20% of the GDRs in respect of which an Option is granted, from the fourth anniversary of the date of grant; and
- as to the remaining 20% of the GDRs in respect of which an Option is granted from the fifth anniversary of the date of grant.

The Plan Trustee will satisfy an Option by paying to the Optionholder on exercise the difference between the Base Value of the GDRs subject to the Option and the market value of the GDRs on the exercise date (minus any amounts required to be withheld). In relation to the grant of Options to date, the vesting of such Options is not subject to any performance targets. The Board may, however, determine that Options granted in the future should be subject to performance targets.

***Cessation of Employment***

- If an Optionholder dies whilst in employment with a member of the Group his legal representatives shall be entitled to exercise his Options (whether vested or not) during the 12 month period following the date of his death. After this period, the Options will lapse, to the extent that they have not been exercised.
- If an Optionholder leaves employment by reason of injury, disability, redundancy, retirement or the sale of the business for which he works to a third party, his Options may generally be exercised at any time up to the tenth anniversary of the date of grant.
- If an Optionholder gives notice of termination of his employment or consultancy, an Option will generally lapse to the extent that it has not vested on the date of cessation and any portion that remains outstanding but unexercised after 12 months following such cessation will lapse.

***Corporate Events***

*(a) Takeover*

In the event of a takeover of Nostrum Oil and Gas LP, or Zhaikmunai LLP, all of the Options shall be deemed to have vested and the Board shall direct the Plan Trustee in writing to allow the Optionholder to exercise his Options at any time from the date of the change of control up to the tenth anniversary of the date of grant. Any Options which have not been exercised will lapse at the end of this period.

*(b) Merger, demerger*

In the event of a merger, dividend in specie, super dividend, stock split, dilutive issuance, demerger or other transaction or change in the structure of Nostrum Oil and Gas LP which would affect the value of any Option, the Board shall, acting reasonably and objectively, direct the Plan Trustee to make such adjustments as it considers appropriate in order to ensure that Optionholders are not prejudiced, including waiving or amending any performance conditions, adjusting the Base Value of options or altering the number of GDRs in respect of the Options granted.

*(c) Dissolution*

In the event of a dissolution of Nostrum Oil and Gas LP, Options may, subject to satisfaction of any performance conditions, be exercised during the period between the date of notice of a meeting to consider a resolution for the voluntary dissolution of Nostrum Oil and Gas LP and the date on which the dissolution becomes effective. To the extent that any Options have not been exercised at the expiry of this period, the Options will lapse.

***Alterations to the Plan***

Subject to the discretion of the Board in relation to certain matters as set out in the terms of the Plan, the decision of the Plan Trustee shall be final and binding in all matters relating to the Plan.

***Termination of the Plan***

The Plan shall terminate upon the tenth anniversary of its approval by the Board or at any earlier time by resolution of the Board. Expiry of the plan shall not affect Options already granted.

**Nostrum Benefit Trust**

The Nostrum Benefit Trust is a discretionary trust established in Jersey for the benefit of employees, Executive Directors, and secondees of the Partnership and its subsidiaries from time to time. The trustee of the Trust is Ogier Employee Benefit Trustee Limited, a company which is independent of and unrelated to the Partnership (the "**Nostrum Benefit Trustee**").

The Nostrum Benefit Trustee has subscribed for GDRs on a cash free basis. The Nostrum Benefit Trustee has agreed with Nostrum Oil & Gas LP to satisfy Options on exercise by the Optionholders and will acquire and sell GDRs for this purpose (to be subscribed at the Base Value per GDR).

# MANAGEMENT AND CORPORATE GOVERNANCE

## Corporate Structure

Management of Zhaikmunai LLP is exercised by its General Director on the basis of its articles of association (or the charter) and decisions taken by the general meeting of participants in Zhaikmunai LLP.

Limited partners and, consequently, holders of GDRs are not entitled to participate, directly or indirectly, in Nostrum Oil & Gas LP's management. Following a proposal by the General Partner, the prior approval of the limited partners is however required to permit the General Partner to withdraw as Nostrum Oil & Gas LP's general partner and appoint a replacement general partner. Following a proposal by the General Partner, the prior approval of the holders of a majority of the Common Units voting at a General Meeting of the limited partners is required for the appointment or removal of the General Partner's directors.

## Corporate Governance

As a limited partnership with GDRs admitted to the official list of the FCA, Nostrum Oil & Gas LP is not required to comply with the provisions of the UK Corporate Governance Code. There are no statutory corporate governance recommendations applicable to limited partnerships formed in the Isle of Man. However, the Board has established a corporate governance code. In determining its corporate governance code, the General Partner has given consideration to the best practice provisions on corporate governance set out in the UK Corporate Governance Code.

The General Partner has put in place procedures to comply with the internal control aspects of its corporate governance code. The Board has also put in place sufficient controls that will allow it to ensure that Nostrum Oil & Gas LP is able to comply with its ongoing obligations under the Listing Rules and the Disclosure and Transparency Rules.

In addition, the General Partner has adopted a dealing code for the members of the Board, any persons discharging managerial responsibilities and any relevant employees which is based upon the Model Code set out in the Listing Rules to ensure that such persons do not deal in the GDRs when in possession of inside information or during close periods in accordance the Disclosure and Transparency Rules. The General Partner will take all reasonable steps to ensure compliance with such code by members of the Board, any persons discharging managerial responsibilities and any relevant employees.

## Takeover Code

The Takeover Code does not apply to Nostrum Oil & Gas LP. As a result, a takeover offer for Nostrum Oil & Gas LP will not be regulated by the UK takeover authorities. The Partnership Agreement contains certain takeover protections, although these will not provide the full protections afforded by the Takeover Code.

## Board Structure, Practices and Committees of the General Partner

The Board currently has eight members, consisting of two executive directors and six non-executive directors, of whom three are considered by the Board to be independent non-executive directors. As a result, the Directors consider that there is a satisfactory balance of decision-making power on the Board in line with the UK Corporate Governance Code.

The structure, practices and committees of the Board, including matters relating to the size, independence and composition of the Board, the election and removal of directors, requirements relating to Board action, the powers delegated to Board committees and the appointment of executive officers, are governed by the General Partner's articles of association, the Partnership Agreement, the terms of the Relationship Agreement and the terms of the Claremont Subscription Agreement. The following summarises certain provisions of those articles of association, the Partnership Agreement and the Relationship Agreement that affect Nostrum Oil & Gas LP's corporate governance. See "*Related Parties and Related Party Transactions—Relationship Agreement with Thyler, the General Partner and Claremont*" for a further discussion of the provisions of the Relationship Agreement.

### *Size, Independence and Composition of the Board of Directors*

The Board, which as at the date of this Offering Memorandum has eight members, may consist of such number of directors as may be determined from time to time by a resolution of the General Partner's shareholders. Under the General Partner's articles of association, at least one of the directors holding office must be independent of Nostrum Oil & Gas LP, the General Partner, Thyler and its Affiliates, as determined by the full Board (an "**Independent Director**"). The General Partner currently has three Independent Directors. Upon the death, resignation or removal of an Independent Director, the vacancy must be filled promptly. The current sole shareholder of the General Partner is Thyler Holdings B.V., an Affiliate of Thyler, which has assumed all of Thyler's obligations under the Relationship Agreement.

In connection with the Claremont Subscription, Nostrum Oil & Gas LP and the General Partner agreed to appoint one director nominated by Claremont (such person in turn being nominated by BVCP pursuant to the investment agreement between Claremont and BVCP) (the "**BVCP Director**"), together with an additional Independent Director to be nominated by BVCP and Claremont (subject to approval by the independent limited partners). Mr. Ivanov was appointed as the BVCP Director and Mr. Gupta is the relevant Independent Director. In addition, Claremont agreed in connection with its sale of 50 million GDRs to KSS Global that it would take reasonable steps, including voting as a limited partner in any general meeting of the limited partners, to procure that an individual nominated by KSS Global (or two individuals if the size of the Board of the General Partner is increased to nine directors) is appointed to the Board of the General Partner. In September 2012, the Board of Directors of Nostrum Oil & Gas Group Limited approved the appointment of Pankaj Jain to the Board of the General Partner. Mr. Jain was nominated as a director by KSS Global and is the Chief Executive Officer of the KSS Group and subsequently joined the Board. Companies in the KSS Group constructed Group's existing gas treatment facility and also perform drilling services for Zhaikmunai LLP. As such, should any Group company contemplate entering into any agreement or arrangement with a member of the KSS Group, there may be a conflict of interest between the duties of Mr. Jain to Nostrum Oil & Gas LP and his duties to the KSS Group. As a result, pursuant to the Board's conflicts rules and applicable law, Mr. Jain would not participate in discussions or voting regarding any such agreements or arrangements.

***Election and Removal of Directors***

At every annual general meeting, one-third of the directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third shall retire from office by rotation *provided that* if there is only one director who is subject to retirement by rotation, he shall retire. Vacancies on the Board may be filled and additional directors may be added by a resolution of shareholders of the General Partner or a vote of the directors then in office, *provided that* any new directors satisfy certain eligibility requirements. Those eligibility requirements generally provide, among other things, that:

- a person may not be appointed to the office of Independent Director unless he or she has been approved by a majority of the limited partners independent of Thyler and its Affiliates; and
- a person may not be appointed to the office of director unless he or she has been approved by a majority of the limited partners.

A director, other than an Independent Director, may be removed from office for specified reasons, including for any reason by a written resolution requesting resignation signed by all other directors then holding office or by a resolution duly passed by the General Partner's shareholder following the proposal by the General Partner and subsequent approval of a majority of limited partners. An Independent Director may only be removed by a resolution duly passed by the General Partner's shareholders following the proposal by the General Partner and subsequent approval of a majority of limited partners independent of Thyler and its Affiliates. Claremont has undertaken, pursuant to the Relationship Agreement, not to vote on any resolution to appoint or remove an Independent Director unless the term of appointment of such Independent Director has expired and such Independent Director is seeking re-election at a general meeting of limited partners or the Board has determined (acting reasonably) that the Independent Director is no longer independent. Thyler, and its affiliated successor Thyler Holdings B.V., have undertaken, pursuant to the Relationship Agreement, to comply with the decisions of the limited partners in respect of the appointment and removal of directors and not to propose amendments to the General Partner's articles of association that alter (i) the standards that are used to determine whether a director is an "independent director", (ii) the requirements relating to the eligibility and qualification of Independent Directors and (iii) the requirement that the General Partner's Board consist of at least one Independent Director, each of which may be effected only with the consent of a majority of limited partners independent of Thyler and its Affiliates. A director will be automatically removed from the Board if he or she becomes bankrupt, becomes insolvent or suspends payments to his or her creditors or if he or she becomes prohibited by law from acting as a director.

***Alternate Directors***

A director may, by written notice to the General Partner, appoint any person, including another director, who has been approved by the Board and who meets any minimum standards that are required by applicable law, to serve as an alternate director who may attend and vote in such director's place at any meeting of the Board at which the director is not personally present and to otherwise perform any duties and functions and exercise any rights that the director could perform or exercise personally.

***Action by the Board***

The Board may take action in a duly convened meeting in which a quorum is present or by a written resolution signed by all directors then holding office. When action is to be taken at a meeting of the Board, subject to any requirements relating to the approval by Independent Directors, the affirmative vote of a majority of the directors then holding office is required for any

action to be taken other than with respect to the enforcement of any contractual or other rights under the Partnership Agreement and the Relationship Agreement. Matters relating to the enforcement of any such rights, if considered at a meeting of the Board, may be decided by the vote of a majority of directors then holding office that are independent of Thyler and its Affiliates.

***Actions Requiring Approval by Independent Directors***

In addition to requiring approval by the Board, the following matters require the additional approval of a majority of the Independent Directors in order for any action to be taken with respect thereto:

- dissolution;
- any amendment of the Partnership Agreement that is not ministerial in nature or that has not been consented to by the limited partners;
- the enforcement of any contractual or other rights that the General Partner or Nostrum Oil & Gas LP may have against Thyler or any of its Affiliates pursuant to any contract, arrangement or transaction entered into with Thyler or any of its Affiliates, including the Partnership Agreement or the Relationship Agreement;
- any amendment of the Relationship Agreement with Thyler and Claremont; and
- any transaction with any related party not controlled by the General Partner or Nostrum Oil & Gas LP.

***Transactions in which a Director has an Interest***

A director who directly or indirectly has an interest in a contract, transaction or arrangement with the General Partner, Nostrum Oil & Gas LP or any member of the Group is required to disclose the nature of his or her interest to the full Board. Such disclosure may generally take the form of a general notice given to the Board to the effect that the director has an interest in a specified company or firm and is to be regarded as interested in any contract, transaction or arrangement which may after the date of the notice be made with that company or firm or its affiliates.

Except as provided below, a director shall not vote on or be counted in the quorum in relation to any resolution of the Board or of a committee of the Board concerning any contract, arrangement, transaction or any proposal whatsoever to which the General Partner (in its own capacity or acting as a general partner to Nostrum Oil & Gas LP), or any of its subsidiaries is or is to be a party and in which he has (directly or indirectly) an interest which is material (other than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through the General Partner or Nostrum Oil & Gas LP) unless his duty or interest arises only because the resolution relates to one of the matters set out in the following sub-paragraphs, in which case he shall be entitled to vote and be counted in the quorum:

(a) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of Nostrum Oil & Gas LP or any of its subsidiaries;

(b) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the General Partner, any subsidiary of the General Partner or Nostrum Oil & Gas LP or any of its subsidiaries for which he himself has assumed responsibility in whole or in part either alone or jointly with others, under a guarantee or indemnity or by the giving of security;

(c) where the General Partner, any subsidiary of the General Partner or Nostrum Oil & Gas LP or any of its subsidiaries is offering securities in which offer the director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the director is to participate;

(d) relating to another company in which he or she and any persons connected with him or her (within the meaning of section 346 of the UK Companies Act 1985) do not to his or her knowledge hold voting rights (as that term is used in chapter 5 of the Disclosure and Transparency Rules) representing 1% or more of any class of the shares (as that term is used in the chapter 5 of the Disclosure and Transparency Rules) in such company;

(e) relating to an arrangement for the benefit of the employees of the General Partner, any subsidiaries of the General Partner or Nostrum Oil & Gas LP or any of its subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or

(f) concerning insurance which the General Partner or Nostrum Oil & Gas LP proposes to maintain or purchase for the benefit of directors or for the benefit of persons including directors.

A director shall not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his or her own appointment (including fixing or varying the terms of his or her appointment or its termination) as the holder of any office or place of profit with the General Partner, Nostrum Oil & Gas LP or any company in which Nostrum Oil & Gas LP is interested. Where proposals are under consideration concerning the appointment (including fixing or varying the

terms of appointment or termination) of two or more directors to offices with the General Partner, Nostrum Oil & Gas LP or any company in which Nostrum Oil & Gas LP is interested, such proposals may be divided and a separate resolution considered in relation to each director. In such case each of the directors concerned shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

***Committees***

The Board can delegate any of its powers, authorities and discretions (with power to sub-delegate) for such time on such terms and subject to such conditions as it thinks fit to any committee consisting of one or more directors and (if thought fit) one or more other persons *provided that* a majority of the members of a committee shall be directors or alternate directors and no resolution of a committee shall be effective unless a majority of those present when it is passed are directors or alternate directors. Any committee so formed may exercise its power to sub-delegate by sub-delegating to any person or persons (whether or not a member or members of the Board or of the committee).

The directors have established audit and remuneration committees, as described below, and will utilise other committees as necessary to ensure effective governance.

*Audit Committee*

The Board has established an audit committee that operates pursuant to written terms of reference. The audit committee is required to consist of at least two independent directors and at least one member who has recent and relevant financial experience. The audit committee consists of Mr. McGowan, Mr. von der Linden and Mr. Gupta, each of whom is considered to be an Independent Director and Mr. von der Linden serves as chairman. The Board considers each member of the audit committee to have appropriate financial experience.

The audit committee will meet not fewer than four times each year and is responsible for assisting and advising the Board with matters relating to:

- Nostrum Oil & Gas LP’s accounting and financial reporting processes;
- the integrity and audits of Nostrum Oil & Gas LP’s financial statements;
- the Issuer’s compliance with legal and regulatory requirements; and
- the qualifications, performance and independence of Nostrum Oil & Gas LP’s independent accountants.

The audit committee is also responsible for engaging Nostrum Oil & Gas LP’s independent accountants, reviewing the plans and results of each audit engagement with Nostrum Oil & Gas LP’s independent accountants, approving professional services provided by Nostrum Oil & Gas LP’s independent accountants, considering the range of audit and non-audit fees charged by Nostrum Oil & Gas LP’s independent accountants and reviewing the adequacy of Nostrum Oil & Gas LP’s internal accounting controls. The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remains with the Board.

*Remuneration Committee*

The remuneration committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on its policy on executive remuneration, determining the individual remuneration and benefits package of each of the executive directors and recommending and monitoring the remuneration of senior management below the level of the Board. The remuneration of the non-executive Directors shall be a matter for the Board as a whole.

The remuneration committee comprises Mr. Monstrey (as Chairman), Mr. McGowan, Mr. von der Linden and Mr. Ivanov and will meet not less than two times a year. At least one member of the remuneration committee shall be an Independent Director.

***Appointment of a New General Partner***

The Partnership Agreement generally provides that the General Partner may not transfer its general partner interest in Nostrum Oil & Gas LP to any person other than Thyler or an Affiliate of Thyler, unless (i) the holders of a majority representing not less than 75% of the holders of the Common Units attending and voting at the relevant meeting consent to the transfer or (ii) there is a transfer of Common Units or GDRs representing not less than 50% of the total number of Common Units in issue from a limited partner and its affiliates to a third party in accordance with Clause 18 of the Partnership Agreement. Upon such a transfer, the General Partner may assign all or any of its general partner interests to such third party or, upon transfer of the entire share capital of the General Partner to such third party, withdraw as the general

partner of Nostrum Oil & Gas LP without the approval of the holders of Common Units from the partnership with effect from the date on which the replacement general partner assumes the rights and undertakes the obligations of the General Partner under the Partnership Agreement. In addition, following a proposal by the General Partner, the prior approval of holders of 75% of the Common Units voting at a meeting of limited partners is required to permit the General Partner to withdraw from the partnership upon appointment of a replacement general partner.

For as long as the Relationship Agreement is effective control over the General Partner may only be transferred to a third party other than Thyler or its Affiliates with the consent of limited partners representing not less than 75% of the Common Units attending and voting at the relevant meeting, which has the same substantive effect as if the General Partner withdrew or transferred its interest in Nostrum Oil & Gas LP directly, unless the transfer is done in accordance with the paragraph above.

### *Conflicts of Interest and Fiduciary Duties*

Nostrum Oil & Gas LP's organisational, ownership and investment structure involves a number of relationships that may give rise to conflicts of interest between Nostrum Oil & Gas LP, on the one hand, and Affiliates of its General Partner or limited partners and holders of GDRs, on the other hand. In particular, conflicts of interest could arise, among other reasons, because:

- the Group's arrangements with Thyler and its Affiliates were negotiated in the context of an affiliated relationship, which may have resulted in those arrangements containing terms that are less favourable than those which otherwise might have been obtained from unrelated parties; and
- conflicts of interest may arise between Nostrum Oil & Gas LP and the KazStroyService Group, which constructed the gas treatment facility for Zhaikmunai's Kazakh operating subsidiary Zhaikmunai LLP and has ongoing drilling and other commercial relationships with Zhaikmunai Group companies, because Pankaj Jain, Chief Executive Officer of the KazStroyService Group, has been nominated to be appointed as a director of the General Partner.

Pursuant to the Relationship Agreement, Thyler, and its affiliated successor Thyler Holdings B.V., have undertaken to ensure that Nostrum Oil & Gas LP is capable at all times of carrying on its business independently of Thyler and its Affiliates (other than Nostrum Oil & Gas LP and any of its subsidiaries) and that all of Nostrum Oil & Gas LP's transactions and relationships with Thyler and its Affiliates (other than Nostrum Oil & Gas LP and any of its subsidiaries) are at arm's length and on normal commercial terms. See "*Related Parties and Related Party Transactions—Relationship Agreement with Thyler, the General Partner and Claremont*".

Except as described above, there are no potential conflicts of interest between any duties owed by the General Partner's directors to Nostrum Oil & Gas LP and any other private interests or other duties that they may have.

## Indemnification and Limitations on Liability

### *The Partnership Agreement*

Isle of Man law permits the partnership agreement of a limited partnership, such as Nostrum Oil & Gas LP, to provide for the indemnification of a partner, the officers and directors of a partner and any other person against any and all claims and demands whatsoever, except to the extent that the indemnification may be held by the courts of Isle of Man to be contrary to public policy or to the extent that Isle of Man law prohibits indemnification against personal liability that may be imposed under specific provisions of Isle of Man law.

Isle of Man law also permits a partnership to pay or reimburse an indemnified person's expenses in advance of a final disposition of a proceeding for which indemnification is sought. Under the Partnership Agreement, Nostrum Oil & Gas LP is required to indemnify to the fullest extent permitted by law the General Partner and any of its Affiliates (and their respective officers, directors, agents, shareholders, partners, members and employees), in each case, against all losses, claims, damages, liabilities, costs or expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, incurred by an indemnified person in connection with the Group's business or by reason of their holding such positions, except to the extent that the claims, liabilities, losses, damages, costs or expenses are determined to have resulted from the indemnified person's bad faith, fraud or wilful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful. In addition, under the Partnership Agreement, (i) the liability of such persons has been limited to the fullest extent permitted by law, except to the extent that their conduct involves bad faith, fraud or wilful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful and (ii) any matter that is approved by a majority of the Independent Directors will not constitute a breach of any duties stated or implied by law or equity, including fiduciary duties. The Partnership Agreement requires Nostrum Oil & Gas LP to advance funds to pay the expenses of an indemnified person

in connection with a matter in which indemnification may be sought until it is determined that the indemnified person is not entitled to indemnification.

### *The General Partner's Articles of Association*

Isle of Man law permits the articles of association of a limited company, such as the General Partner, to provide for the indemnification of its officers, directors and shareholders and any other person designated by the company against any and all claims and demands whatsoever, except to the extent that the indemnification may be held by the courts of Isle of Man to be contrary to public policy or to the extent that Isle of Man law prohibits indemnification against personal liability that may be imposed under specific provisions of Isle of Man law. Isle of Man company law also permits a limited company to pay or reimburse an indemnified person's expenses in advance of a final disposition of a proceeding for which indemnification is sought.

Under the General Partner's articles of association, the General Partner is required to indemnify, to the fullest extent permitted by law, its Affiliates, directors, officers, shareholders and employees against any and all losses, claims, damages, liabilities, costs or expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, incurred by an indemnified person in connection with the Group's business or in respect of or arising from their holding such positions, except to the extent that the claims, liabilities, losses, damages, costs or expenses are determined to have resulted from the indemnified person's bad faith, fraud or wilful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful. In addition, under the General Partner's articles of association, (i) the liability of such persons has been limited to the fullest extent permitted by law, except to the extent that their conduct involves bad faith, fraud or wilful misconduct, or in the case of a criminal matter, action that the indemnified person knew to have been unlawful and (ii) any matter that is approved by a majority of the independent directors will not constitute a breach of any duties stated or implied by law or equity, including fiduciary duties, or adversely affect the right of any indemnified person to an indemnity thereunder. The General Partner's articles of association require it to advance funds to pay the expenses of an indemnified person in connection with a matter in which indemnification may be sought until it is determined that the indemnified person is not entitled to indemnification.

### **Insurance**

Nostrum Oil & Gas LP and the General Partner has obtained insurance under which the directors and officers of the General Partner will be insured, subject to the limits of the policy, against certain losses arising from claims made against such directors and officers by reason of any acts or omissions covered under the policy in their respective capacities as directors or officers of the General Partner, including certain liabilities under securities laws.

## SIGNIFICANT HOLDERS OF LIMITED PARTNERSHIP INTERESTS AND GDRs

### Nostrum Oil & Gas LP

Nostrum Oil & Gas LP is an Isle of Man limited partnership that was formed and registered under the Partnership Act 1909 (the "**Partnership Act**") on 29 August 2007. Nostrum Oil & Gas LP has a perpetual existence and will continue as a limited partnership unless the partnership is dissolved in accordance with the Partnership Agreement. The ownership interests in Nostrum Oil & Gas LP consist of the Common Units, which represent a fractional entitlement in respect of all of the limited partner interests in Nostrum Oil & Gas LP and the general partner interest held by Nostrum Oil & Gas Group Limited. In this description, references to "holders of the Common Units" are to Nostrum Oil & Gas LP's limited partners and references to Nostrum Oil & Gas LP's limited partners include holders of the Common Units.

### Partnership Agreement

Under Clause 2.2 of the Partnership Agreement, Nostrum Oil & Gas LP is permitted to engage in any business activity that is approved by the General Partner and that lawfully may be conducted by a limited partnership organised under the Partnership Act or the Partnership Agreement and to do anything necessary or appropriate in furtherance of the foregoing. Nostrum Oil & Gas LP is not entitled to make a direct investment in any entity that is an offshore fund for the purposes of Chapter V (Offshore Funds) of Part XVII of ICTA.

The exercise by the General Partner of any and all powers and authority granted to it are subject to the restrictions set forth in the Partnership Agreement and must be exercised in a manner consistent with the restrictions and limitations established by the Board. The limited partners, in their capacities as such, may not take part in the management of the business and affairs of Nostrum Oil & Gas LP and do not have any right or authority to act for or to bind Nostrum Oil & Gas LP or to take part or interfere in the conduct or management of Nostrum Oil & Gas LP.

Under the Partnership Agreement, the General Partner may not take any action in furtherance of the following without the consent of holders of a majority of Common Units attending and voting at the relevant meeting: (i) the appointment or removal of a director from the Board; (ii) the appointment or removal of the independent auditors of Nostrum Oil & Gas LP; (iii) the approval of the annual audited accounts of Nostrum Oil & Gas LP; (iv) the issue of Common Units; (v) the payment of an annual distribution; and (vi) certain amendments to the Partnership Agreement. The General Partner may not take any action in furtherance of the following without the approval of limited partners representing not less than 75% of the total number of Common Units attending and voting at the relevant meeting: (i) the dissolution of the Partnership; (ii) the variation or abrogation of any rights attaching to the limited partnership interests; (iii) the disapplication of the pre-emption rights in respect of Common Units; and (iv) the sale, transfer or disposal of assets representing not less than 75% of the value of the assets of Nostrum Oil & Gas LP.

### Ownership of Nostrum Oil & Gas LP

As of the date of this Offering Memorandum, the Issuer understands that the equity ownership of Nostrum Oil & Gas LP is as follows[1]:

| | Common Units and GDRs | |
|---|---|---|
| | (Number) | (%) |
| **Holder:** | | |
| Claremont Holdings C.V.[2] | 51,190,476 | 27.2 |
| KazStroyService Global B.V.[3] | 50,000,000 | 26.6 |
| Baring Vostok Private Equity Fund IV[4] | 29,085,054 | 15.4 |
| Free float | 58,127,287 | 30.8 |

(1) The Bank of New York Mellon holds all of the Common Units (except for 10 Common Units held directly by Claremont) in its capacity as Depository, but has no beneficial interests in such Common Units.

(2) Claremont Holdings C.V. is indirectly controlled and beneficially owned by Frank Monstrey, the chairman of Nostrum Oil & Gas Group Limited, the general partner of Nostrum Oil & Gas LP, and his spouse.

(3) The Issuer understands that KazStroyService Global B.V. is indirectly controlled by Timur Kulibayev, Arvind Tiku, Lakshmi Mittal and Goldman Sachs.

(4) Through its affiliates Dehus Dolmen Nominees Limited and Baring Vostok Investments PCC Limited.

## RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### Significant Limited Partners

As at the date of this Offering Memorandum, the Partnership has received notice that companies controlled by Frank Monstrey, the chairman of the General Partner, own approximately 27.2% of the Common Units of the Partnership (including those held through GDRs). In addition, companies indirectly controlled by Mr. Monstrey own 100% of the issued shares of Nostrum Oil & Gas Group Limited, the General Partner.

The Partnership understands that KazStroyService Global B.V. ("**KSS Global**"), an entity which the Issuer understands is indirectly controlled by Timur Kulibayev, Arvind Tiku, Lakshmi Mittal and Goldman Sachs, holds a 26.6% interest in the voting rights of the Partnership's Common Units (including those held through GDRs).

The Partnership understands that Dehus Dolmen Nominees Limited, an entity which the Issuer understands is affiliated with and controlled by Baring Vostok Capital Partners ("**BVCP**"), holds a 15.4% interest in the voting rights of the Partnership's Common Units (including those held through GDRs).

### Relationship Agreement with Thyler, the General Partner and Claremont

The Partnership entered into a Relationship Agreement with Thyler Holdings Limited ("**Thyler**"), the General Partner and Claremont Holdings Limited ("**Claremont**") on 28 March 2008 that regulates (in part) the degree of control that Thyler and Claremont and their affiliates (other than the General Partner, the Partnership and any subsidiary of the Partnership) may exercise over the management of the Partnership. The principal purposes of the Relationship Agreement are to ensure that the Partnership is capable at all times of carrying on its business independently of Thyler and Claremont and their affiliates (other than the General Partner, the Partnership and any of its subsidiaries) and that all of the Partnership's transactions and relationships with Thyler and its affiliates (other than the General Partner, the Partnership and any of its subsidiaries) are at arm's length and on normal commercial terms.

Pursuant to the Relationship Agreement, each of Thyler (and its affiliated successor Thyler Holdings BV) and Claremont undertake to allow the Partnership to be operated in the best interests of the limited partners and holders of the GDRs as a whole; to allow the Partnership and its affiliates at all times to carry on business independently of Claremont and Thyler and its affiliates; and to allow for the Partnership's transactions and relationships with Thyler, Claremont and their affiliates to be at arm's length and on normal commercial terms. In addition, (a) Thyler undertakes to comply with the terms of the Partnership Agreement (as though it were a party thereto), not to amend the Articles of Association of the General Partner in respect of certain specified action (including amendments to the definition of an independent director), and not to pass a shareholder resolution in respect of Claremont that would violate the terms of the Relationship Agreement; (b) the Partnership undertakes to treat all holders of GDRs that are in the same position equally in respect of the rights attaching to such GDRs; (c) Claremont undertakes that any voting rights it holds in respect of Common Units shall not be exercised in respect of any resolution relating to a transaction, arrangement, agreement or dispute between the Partnership, on the one hand, and Claremont and its affiliates, on the other hand, or to make any variations to the Partnership Agreement that would be contrary to the maintenance of the Partnership's ability to carry on its business independently of Claremont and its affiliates; and (d) each of Thyler and Claremont undertake not to vote on any resolution of the limited partners or the board of directors to appoint or remove any independent director unless the term of appointment of such independent director has expired and such independent director is seeking re-election or the board of directors has determined that the independent director is no longer independent.

Each of Thyler and Claremont has also undertaken that if Claremont (and/or its affiliates) agrees to sell, transfer or dispose of Common Units or GDRs representing not less than 50% of the total number of Common Units in issue to a third party (the "**Acquiror**") in circumstances where the takeover provisions in the Partnership Agreement apply, they shall use their reasonable endeavours to procure that the Acquiror (or its affiliates) shall also agree to purchase the entire issued share capital of the General Partner (and Thyler has undertaken that, if required, it shall sell such shares in the General Partner in such circumstances or otherwise permit the withdrawal of the General Partner as the general partner of the Partnership).

The Relationship Agreement will continue in full force and effect until the occurrence of the earliest of (i) the Partnership's securities ceasing to be admitted to the official list of the FSA and to trading on the London Stock Exchange; or (ii) Thyler (and its affiliates) ceasing to own 25% or more of the outstanding Common Units of the Partnership. Claremont has also undertaken to procure that any of their affiliates to which they transfer any interest in the Partnership will accede to the Relationship Agreement prior to such transfer.

The Directors believe that the terms of the Relationship Agreement enable the Partnership to ensure that Thyler and its affiliates are not able to abuse their position as a holder of Common Units of the Partnership and a shareholder in the General Partner.

**Services Agreements**

On 30 December 2013, ELATA Burgerlijke Maatschap, Petra Noé, Frank Monstrey and Co-op entered into a purchase agreement for the acquisition by the Group (through Co-op) of the entire issued share capital of Probel Capital Management N.V. for a consideration of €21.07 million.

Historically, certain senior managers have provided their services to Nostrum pursuant to a service agreement dated 27 March 2007 between Probel Capital Management N.V. ("**Probel**") and Nostrum (the "**Probel Services Agreemen**t"). Probel is controlled by Mr. Monstrey, the chairman of the Company. Under the Probel Services Agreement, Nostrum pays a fee to Probel calculated by multiplying the relevant executive's or manager's number of working days per month by the executive's or manager's daily rate as stipulated in the Probel Services Agreement. The aggregate compensation paid by Nostrum to Probel under the Probel Services Agreement was U.S.$13.6 million, U.S.$10.3 million and U.S.$8.5 million for the years ended 31 December 2012, 2011 and 2010, respectively, and U.S.$8.2 million and U.S.$8.2 million for the nine months ended 30 September 2013 and the six months ended 30 June 2013, respectively.

On 28 February 2009, Nostrum entered into a service agreement (the "**Prolag Services Agreement**") with Prolag BVBA ("**Prolag**"), a subsidiary of Probel, pursuant to which Prolag has agreed to provide certain commercial, marketing and other services to Nostrum, including, but not limited to, consultations on Nostrum's sales strategy and effective marketing policy, structuring its pricing policy and providing regular consultations and assistance on financial matters such as budgeting, credit policy and finance control. Fees are agreed per project on an ad hoc basis, or otherwise an agreed fee is paid, calculated for the specified period of the services with reference to an agreed schedule set out in the agreement. The aggregate compensation paid by Nostrum to Prolag under the Prolag Services Agreement was U.S.$2.2 million, U.S.$1.9 million and U.S.$1.4 million for the years ended 31 December 2012, 2011 and 2010, respectively, and U.S.$0.8 million and U.S.$0.8 million for the nine months ended 30 September 2013 and the six months ended 30 June 2013, respectively.

Certain other personnel provide their services to the Group pursuant to a service agreement dated 1 January 2009 between Amersham Oil LLP ("**Amersham**") and Zhaikmunai LLP (the "**Personnel Agreement**"). Amersham is indirectly controlled by Mr. Monstrey. Under the Personnel Agreement, Nostrum pays a monthly fee to Amersham in return for Amersham's provision of personnel and consultancy services for management and related activities. The fee is determined each month the Personnel Agreement remains in force. The aggregate compensation paid by Nostrum to Amersham under the Personnel Agreement was U.S.$1.4 million, U.S.$1.4 million and U.S.$1.2 million for the years ended 31 December 2012, 2011 and 2010, respectively, and U.S.$0.7 million and U.S.$0.7 million for the nine months ended 30 September 2013 and the six months ended 30 June 2013, respectively.

It is expected that in June 2014, SEPOL AG and Co-op will enter into a purchase agreement for the acquisition of the entire issued share capital of Amersham (the "**Amersham Acquisition Agreement**") for a consideration of €1.69 million.

**Other**

The Group has undertaken certain other transactions with related parties as disclosed in Note 15 to the unaudited interim condensed consolidated financial statements for the nine months ended 30 September 2013 and Note 25 to the audited consolidated financial statements for the year ended 31 December 2012.

Any transaction with any related party not controlled by the General Partner or the Partnership must be approved by a majority of the independent directors of the General Partner.

## DESCRIPTION OF SIGNIFICANT INDEBTEDNESS

The following is a summary of certain provisions of the Group's indebtedness. It does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

### 2015 Bonds

#### *Overview*

On 19 October 2010, Zhaikmunai Finance B.V. (the "**2015 Initial Issuer**") issued the 2015 Bonds. Under the terms of the indenture relating to the 2015 Bonds, Zhaikmunai LLP (the "**2015 Issuer**") was permitted, subject to certain conditions, to be substituted for the 2015 Initial Issuer as issuer of the 2015 Bonds.

On 29 December 2010, in preparation for the substitution, the shares in the 2015 Initial Issuer were transferred to the 2015 Issuer, and on 28 February 2011, the 2015 Issuer replaced the 2015 Initial Issuer as issuer of the 2015 Bonds pursuant to a supplemental indenture.

On 21 February 2012, the 2015 Issuer commenced a consent solicitation in connection with certain proposed amendments and waivers in respect of the 2015 Bonds. On 2 March 2012, the 2015 Issuer announced the approval of such amendments and waivers, and accordingly, a supplemental indenture was entered into giving effect thereto.

On 19 October 2012, Zhaikmunai International B.V. commenced a tender offer (the "**Tender Offer**") to purchase for cash any and all of the 2015 Bonds and simultaneously announced its intention to raise a new Dollar-denominated bond financing to fund the Tender Offer (the "**2019 Bonds Offering**"). 2015 Bonds in an aggregate principal amount of U.S.$347,604,000 were validly tendered pursuant to the Tender Offer and were purchased with proceeds of the 2019 Bonds Offering (as described further below). An aggregate principal amount of U.S.$92,505,000 of the 2015 Bonds remain outstanding.

On 19 October 2012, Zhaikmunai International B.V. entered into a supplemental indenture pursuant to which Zhaikmunai International B.V. guaranteed the 2015 Bonds on a senior basis. On 18 December 2013, Nostrum Oil Coöperatief U.A. entered into a supplemental indenture pursuant to which Nostrum Oil Coöperatief U.A. guaranteed the 2015 Bonds on a senior basis. On 8 January 2014, Probel Capital Management UK Limited and Probel Capital Management N.V. entered into a supplemental indenture pursuant to which they guaranteed the 2015 Bonds on a senior basis. On 29 January 2014, Nostrum Oil & Gas Finance B.V. entered into a supplemental indenture pursuant to which Nostrum Oil & Gas Finance B.V. guaranteed the 2015 Bonds on a senior basis.

#### *Listing*

The 2015 Bonds are admitted to the Official List of the Luxembourg Stock Exchange and admitted for trading on the Luxembourg Stock Exchange's Euro MTF market and admitted to trading in the "rated debt securities" category of the official list of the KASE.

#### *Interest and Maturity*

The 2015 Bonds bear interest at the rate of 10.50% per year. Interest on the 2015 Bonds is payable on 19 April and 19 October of each year. The 2015 Bonds mature on 19 October 2015.

#### *Redemption*

The 2015 Issuer may redeem some or all of the 2015 Bonds at any time on or after 19 October 2013 at established redemption prices (being 105.25% of nominal principal amount prior to and excluding 19 October 2014 and 100% from and including 19 October 2014 onwards) plus accrued and unpaid interest to the redemption date.

In the event of certain developments affecting taxation, the 2015 Bonds may also be redeemed in whole, but not in part, at any time, at a redemption price of 100% of the principal amount of the 2015 Bonds plus accrued and unpaid interest and additional amounts to the date of redemption.

Upon the occurrence of certain events defined as constituting a change of control, the issuer of the 2015 Bonds will be required to offer to repurchase the 2015 Bonds at 101% of their principal amount, plus accrued and unpaid interest to the date of purchase.

#### *Guarantees and Security*

The 2015 Bonds are jointly and severally guaranteed on a senior basis by the Partnership and all of its subsidiaries (other than the 2015 Issuer). The 2015 Bonds constitute senior obligations of the 2015 Issuer and the guarantors and will rank equally with all of the 2015 Issuer's and the guarantors' other senior indebtedness.

The 2015 Bonds are secured by a first-priority pledge over the shares of the 2015 Initial Issuer and Zhaikmunai Netherlands B.V.

#### *Ranking*

The 2015 Bonds:

- constitute general senior obligations of the 2015 Issuer;
- rank senior in right of payment to all existing and future subordinated obligations of the 2015 Issuer;
- rank equally in right of payment to any future senior indebtedness of the 2015 Issuer, without giving effect to collateral arrangements;
- effectively rank senior to all of the unsecured indebtedness of the 2015 Issuer to the extent of the value of the property or assets securing the 2015 Bonds;
- effectively rank junior to any existing or future indebtedness of the 2015 Issuer secured by property or assets that do not secure the 2015 Bonds to the extent of the value of such property or assets; and
- rank equally and rateably as to collateral with other senior debt permitted by the indenture governing the 2015 Bonds secured by the same collateral (although as at the date of this Offering Memorandum no such other senior debt is outstanding).

#### *Certain Covenants and Events of Default*

The indenture governing the 2015 Bonds contains a number of covenants that, among other things, restrict, subject to certain exceptions, the ability of Nostrum Oil & Gas LP and its restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Partnership or any of its restricted subsidiaries;
- sell, lease or transfer certain assets including shares of restricted subsidiaries;
- engage in certain transactions with affiliates;
- enter into unrelated businesses;
- consolidated or merge with other entities; and
- impair the security interests for the benefit of the holders of the 2015 Bonds.

Each of these covenants is subject to certain exceptions and qualifications.

In addition, the indenture governing the 2015 Bonds imposes certain requirements as to future subsidiary guarantors. In addition, the indenture governing the 2015 Bonds also contains certain customary information covenants and events of default.

### 2019 Bonds

#### *Overview*

On 13 November 2012, Zhaikmunai International B.V. (the "**2019 Initial Issuer**") issued the 2019 Bonds. Under the terms of the indenture relating to the 2019 Bonds, Zhaikmunai LLP (the "**2019 Issuer**") was permitted, subject to certain conditions, to be substituted for the 2019 Initial Issuer as issuer of the 2019 Bonds.

On 5 April 2013, in preparation for the substitution, the shares in Zhaikmunai International B.V. were transferred to the 2019 Issuer, and on 24 April 2013, the 2019 Issuer was substituted for Zhaikmunai International B.V. as issuer of the 2019 Bonds pursuant to a supplemental indenture.

On 18 December 2013, Nostrum Oil Coöperatief U.A. entered into a supplemental indenture pursuant to which Nostrum Oil Coöperatief U.A. guaranteed the 2019 Bonds on a senior basis. On 8 January 2014, Probel Capital Management UK Limited and Probel Capital Management N.V. entered into a supplemental indenture pursuant to which they guaranteed the 2019 Bonds on a senior basis. On 29 January 2014, Nostrum Oil & Gas Finance B.V. entered into a supplemental indenture pursuant to which Nostrum Oil & Gas Finance B.V. guaranteed the 2019 Bonds on a senior basis.

***Listing***

The 2019 Bonds are admitted to the Official List and trading on the Global Exchange Market, which is the exchange regulated market of the Irish Stock Exchange and admitted to trading in the "rated debt securities" category of the official list of the KASE.

***Interest and Maturity***

The 2019 Bonds bear interest at the rate of 7.125% per year. Interest on the 2019 Bonds is payable on 14 May and 13 November of each year. The 2019 Bonds mature on 13 November 2019.

***Redemption***

The 2019 Issuer may redeem some or all of the 2019 Bonds at any time on or after 13 November 2016 at established redemption prices (being 103.5625% of nominal principal amount until and including 12 November 2017, 101.78125% until and including 12 November 2018 and 100% from and including 13 November 2018 onwards) plus accrued and unpaid interest to the redemption date. Prior to 13 November 2016, all or part of the 2019 Bonds may be redeemed in whole or in part at a price equal to 100% of the principal amount of the 2019 Bonds to be redeemed plus accrued and unpaid interest to the redemption date and a "make whole" premium.

In addition, prior to 13 November 2016, up to 35% of the aggregate principal amount of 2019 Bonds may be redeemed with the proceeds of certain equity offerings at a redemption price equal to 107.125% of the principal amount of the 2019 Bonds to be redeemed, plus accrued and unpaid interest to the redemption date, so long as at least 65% of the original principal amount of the 2019 Bonds (including Additional Notes as defined in the indenture relating to the 2019 Bonds) remains outstanding after each such redemption and each such redemption occurs within 90 days after the closing of the relevant equity offering.

In the event of certain developments affecting taxation, the 2019 Bonds may also be redeemed in whole, but not in part, at any time, at a redemption price of 100% of the principal amount of the 2019 Bonds plus accrued and unpaid interest and additional amounts to the date of redemption.

Upon the occurrence of certain events defined as constituting a change of control, the issuer of the 2019 Bonds will be required to offer to repurchase the 2019 Bonds at 101% of their principal amount, plus accrued and unpaid interest to the date of purchase.

***Guarantees and Security***

The 2019 Bonds are jointly and severally guaranteed on a senior basis by the Partnership and all of its subsidiaries (other than the 2019 Issuer). The 2019 Bonds constitute senior obligations of the 2019 Issuer and the guarantors and will rank equally with all of the 2019 Issuer's and the guarantors' other senior indebtedness.

The 2019 Bonds do not benefit from any security.

***Ranking***

The 2019 Bonds:

- constitute general senior obligations of the 2019 Issuer;
- rank senior in right of payment to all existing and future subordinated obligations of the 2019 Issuer;
- rank equally in right of payment to any future senior indebtedness of the 2019 Issuer, without giving effect to collateral arrangements; and

- effectively rank junior to any existing or future indebtedness of the 2019 Issuer secured by property or assets to the extent of the value of such property or assets.

***Certain Covenants and Events of Default***

The indenture governing the 2019 Bonds contains a number of covenants that, among other things, restrict, subject to certain exceptions, the ability of the Partnership and its restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Partnership or any of its restricted subsidiaries;
- sell, lease or transfer certain assets including shares of restricted subsidiaries;
- engage in certain transactions with affiliates;
- enter into unrelated businesses; and
- consolidated or merge with other entities.

Each of these covenants is subject to certain exceptions and qualifications.

In addition, the indenture governing the 2019 Bonds imposes certain requirements as to future subsidiary guarantors. In addition, the indenture governing the 2019 Bonds also contains certain customary information covenants and events of default.

## DESCRIPTION OF NOTES

Nostrum Oil & Gas Finance B.V. will issue U.S.$400 million in aggregate principal amount of Notes in this Offering under an indenture (the "**Indenture**") among the Issuer, the Guarantors and Citibank, N.A., London Branch as trustee (the "**Trustee**"). The Indenture is unlimited in aggregate principal amount, although the issuance of Notes in this Offering will be limited to U.S.$400 million. Subject to the exception in this paragraph, the Issuer may issue an unlimited principal amount of additional notes having identical terms and conditions as the Notes (the "**Additional Notes**") even if the Additional Notes have a different amount of original issue discount for U.S. federal income tax purposes and even if issuing the Additional Notes may adversely affect the value of the original Notes. The Issuer will only be permitted to issue such Additional Notes in compliance with the covenant described under the subheading "—Certain covenants—Limitation on Indebtedness." The Notes and any Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, for all purposes of the Indenture and this "Description of Notes," references to the Notes include any Additional Notes actually issued.

The following description is a summary of the material terms of the Notes and the Indenture. It does not, however, restate such documents in their entirety and, where reference is made to particular provisions of such documents, such provisions, including the definitions of certain terms, are qualified in their entirety by reference to all of the provisions of the Notes and the Indenture. You should read the Indenture because it contains additional information and because it and not this description defines your rights as a holder of the Notes. A copy of the form of the Indenture may be obtained from the Issuer upon request. You can also obtain a copy of the Indenture in the manner described under "*Listing and General Information*."

You will find the definitions of capitalized terms used in this description of notes under the heading "Certain definitions." For purposes of this description, references to the "**Parent**," "**we**," "**our**" and "**us**" refer only to Nostrum Oil & Gas LP and not to any of its subsidiaries. References to the "**Issuer**" refer to, prior to completion of the Substitution, Nostrum Oil & Gas Finance B.V. and not to any of its subsidiaries and, upon completion of the Substitution, Zhaikmunai LLP and not to any of its subsidiaries. References to any officer or employee of the Parent or of any Restricted Subsidiary shall be deemed to include any officer or employee acting in such capacity or serving such function but actually employed or remunerated by the General Partner or by the Permitted Holder or any Affiliate of the Permitted Holder. References to any director of the Parent are to a member of the Board of Directors of the Parent.

### General

#### *The Notes*

The Notes:

- are general senior unsecured obligations of the Issuer;
- mature on 14 February 2019;
- will be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess of U.S.$200,000;
- will be represented by one or more registered Notes in global form, but in certain circumstances may be represented by Notes in definitive form (see "*Book-entry, delivery and form*");
- rank senior in right of payment to all existing and future Subordinated Obligations of the Issuer;
- rank equally in right of payment to any future senior Indebtedness of the Issuer, without giving effect to collateral arrangements;
- will be initially fully and unconditionally guaranteed on a senior basis by the Parent, Zhaikmunai Netherlands B.V., Nostrum Oil Coöperatief U.A., Probel Capital Management N.V., Probel Capital Management UK Limited, Claydon Industrial Limited, Jubilata Investments Limited, Condensate-Holding LLP, Zhaikmunai Finance B.V., Zhaikmunai International B.V. and Zhaikmunai LLP; and
- effectively rank junior to any existing or future Indebtedness of the Issuer secured by property or assets to the extent of the value of such property or assets.

As at 30 September 2013, on a *pro forma* basis after giving effect to this Offering, the Issuer and the Guarantors would have had U.S.$933.7 million of outstanding Indebtedness. The Parent has no Subsidiaries (other than the Issuer) that will not guarantee the Notes on the Issue Date.

***Interest***

Interest on the Notes will compound semi-annually and will:

- accrue at the rate of 6.375% per annum;
- accrue from the Issue Date or, if interest has already been paid, from the most recent interest payment date;
- be payable in cash semi-annually in arrears on 14 August and 14 February, commencing on 14 August 2014;
- be payable to the holders of record on 31 July and 31 January immediately preceding the related interest payment dates; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

If an interest payment date falls on a day that is not a Business Day, the interest payment to be made on such interest payment date will be made on the next succeeding Business Day with the same force and effect as if made on such interest payment date, and no additional interest will accrue as a result of such delayed payment. The Issuer will pay interest on overdue principal of the Notes at the above rate, and overdue instalments of interest at such rate, to the extent lawful.

***Payments on the Notes***

The Issuer will pay principal of, premium, if any, and interest on, Notes in global form registered in the name of or held by The Depository Trust Company or its nominee in immediately available funds to The Depository Trust Company or its nominee, as the case may be, as the registered holder of such global Note.

***Paying Agent and Registrar for the Notes***

The Issuer will maintain one or more paying agents (each, a "**Paying Agent**") for the Notes in each of (i) the City of London (the "**Principal Paying Agent**"), (ii) the Borough of Manhattan, City of New York, and (iii) Dublin, Ireland, for so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market of the Irish Stock Exchange (the "**Global Exchange Market**") and the rules of the Irish Stock Exchange so require. The Issuer will undertake to maintain a Paying Agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income, or any law implementing, or complying with or introduced in order to conform to, such directive. The initial Paying Agents will be Citibank, N.A., London Branch in London, Citibank, N.A. in New York.

The Issuer will also maintain one or more registrars (each, a "**Registrar**") with offices in (i) Frankfurt, Germany and (ii) Dublin, Ireland, for so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require. The initial Registrar will be Citigroup Global Markets Deutschland AG. The initial transfer agent will be Citibank, N.A., London Branch in London. The Registrar will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time and will make payments on and facilitate transfer of Definitive Registered Notes on the behalf of the Issuer.

The Issuer may change any of the Paying Agents, the Registrar or the transfer agent without prior notice to the holders of the Notes.

***Transfer and exchange***

A holder may transfer or exchange Notes in accordance with the Indenture. The Registrar and the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents in connection with a transfer of Notes. No service charge will be imposed by the Issuer, the Trustee or the Registrar for any registration of transfer or exchange of Notes, but the Issuer may require a holder to pay a sum sufficient to cover any transfer tax or other governmental taxes and fees required by law or permitted by the Indenture. The Issuer is not required to transfer or exchange any Note selected for redemption. Also, the Issuer is not required to transfer or exchange any Note for a period of 15 days before a selection of Notes to be redeemed.

The registered holder of a Note will be treated as the owner of it for all purposes.

***Optional redemption***

On and after 14 February 2017, the Issuer may redeem all or, from time to time, a part of the Notes upon not less than 30 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount of the Notes), plus accrued and unpaid interest on the Notes, if any, to the applicable redemption date (subject to the right of holders of

record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on 14 February of the years indicated below:

| Year | Percentage |
|---|---|
| 2017 | 103.1875% |
| 2018 and thereafter | 100.00% |

Prior to 14 February 2017, the Issuer may, at its option, on any one or more occasions redeem up to 35% of the aggregate principal amount of the Notes (including Additional Notes) issued under the Indenture with the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 106.375% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided that*

(1) at least 65% of the original principal amount of the Notes (including Additional Notes) remains outstanding after each such redemption; and

(2) the redemption occurs within 90 days after the closing of the related Equity Offering.

In addition, the Notes may be redeemed, in whole or in part, at any time prior to 14 February 2017 at the option of the Issuer upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder of Notes at its registered address, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest to, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date). "**Applicable Premium**" means, with respect to any Note on any applicable redemption date, the greater of:

(1) 1.0% of the principal amount of such Note; and

(2) the excess, if any, of:

  (a) the present value at such redemption date of (i) the redemption price of such Note at 14 February 2017 (such redemption price being set forth in the table appearing above under the caption "*—General—Optional redemption*") plus (ii) all required interest payments (excluding accrued and unpaid interest to such redemption date) due on such Note through 14 February 2017 computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

  (b) the principal amount of such Note.

"**Treasury Rate**" means, as of any redemption date, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source or similar market data)) most nearly equal to the period from the redemption date to 14 February 2017; *provided*, *however*, *that* if the period from the redemption date to 14 February 2017 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to 14 February 2017 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Any redemption and notice of redemption may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

***Selection and notice***

If the Issuer is redeeming less than all of the outstanding Notes, the Trustee will select the Notes for redemption on a pro rata basis, or, if required by law or regulation, in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if not possible, by such other method as the Trustee in its sole discretion will deem to be fair and appropriate, although no Note of U.S.$200,000 in original principal amount or less will be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the partially redeemed Note. On and after the redemption date, interest will cease to accrue on Notes or the portion of them called for redemption unless we default in the payment thereof.

### *Mandatory redemption; Offers to purchase; Open market purchases*

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes. However, under certain circumstances, the Issuer may be required to offer to purchase Notes as described under the captions "*—General—Change of Control*" and "*—Certain covenants—Limitation on sales of assets and Subsidiary stock*."

The Issuer may acquire Notes by means other than a redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in each case in accordance with applicable securities laws. However, other existing or future agreements of the Parent and its Restricted Subsidiaries may limit the ability of the Issuer to purchase Notes prior to maturity.

### *Additional Amounts*

All payments made under or with respect to the Notes or that the Guarantors make under or with respect to the Notes Guarantees will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, levies, imposts, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any jurisdiction in which the Issuer or any Guarantor is organized, engaged in business, resident for tax purposes or generally subject to tax on a net income basis or from or through which payment on the Notes is made or any political subdivision or authority thereof or therein having the power to tax (each, a "**Relevant Taxing Jurisdiction**") and any interest, penalties and other liabilities with respect thereto (collectively, "**Taxes**"), unless the withholding or deduction of such Taxes is required by law or by the relevant taxing authority's interpretation or administration thereof. In the event that the Issuer or a Guarantor is required to so withhold or deduct any amount for or on account of any such Taxes from any payment made under or with respect to the Notes, the Issuer or such Guarantor, as the case may be, will pay such additional amounts ("**Additional Amounts**") as may be necessary so that the net amount received by each holder or beneficial owner (including Additional Amounts) after such withholding or deduction will be equal to the amount that such holder or beneficial owner would have received if such Taxes had not been required to be withheld or deducted.

Notwithstanding the foregoing, neither the Issuer nor any Guarantor will pay Additional Amounts to a holder or beneficial owner in respect or on account of:

(1) any Taxes that are imposed or levied by a Relevant Taxing Jurisdiction by reason of the holder's or beneficial owner's present or former connection with such Relevant Taxing Jurisdiction (including, but not limited to, citizenship, nationality, residence, domicile, or existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management present or deemed present within the Relevant Taxing Jurisdiction) other than the mere receipt or holding of any Note or by reason of the receipt of payments thereunder or the exercise or enforcement of rights under such Note or the Indenture;

(2) any Taxes that are imposed or withheld by reason of the failure of the holder or beneficial owner of any Note, prior to the relevant date on which a payment under and with respect to the Notes is due and payable (the "**Relevant Payment Date**"), to comply with the Issuer's written request addressed to the holder or beneficial owner at least 30 calendar days prior to the Relevant Payment Date to provide accurate information with respect to any certification, identification, information or other reporting requirements concerning nationality, residence, identity or connection with the Relevant Taxing Jurisdiction which the holder or such beneficial owner is legally required to satisfy, whether imposed by statute, treaty, regulation or administrative practice, in each such case by the Relevant Taxing Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Relevant Taxing Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Relevant Taxing Jurisdiction);

(3) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;

(4) any Tax that is payable other than by deduction or withholding from payments made under or with respect to any Note or Notes Guarantee;

(5) any Tax which would not have been so imposed but for the presentation (where presentation is required in order to receive payment) by the holder or beneficial owner of a Note for payment on a date more than 30 days after the date on which such payment becomes due and payable or the date on which payment thereof is duly provided for, whichever occurs later, except to the extent that the holder or beneficial owner would have been entitled to such Additional Amounts on presenting the same for payment on any day (including the last day) within such 30-day period;

(6) any withholding or deduction in respect of any Taxes where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Council Directive 2003/48/EC or any Directive otherwise implementing the conclusions of the ECOFIN Council meetings of 26 and 27 November 2000 on the taxation of saving income or any law implementing or complying with, or introduced in order to conform to, any such Directive; or

(7) any Tax that is imposed on or with respect to a payment made to a holder or beneficial owner who would have been able to avoid such withholding or deduction by requesting that a payment on the Note be made by, or presenting a Note for a payment to, another Paying Agent in a Member State of the European Union.

In addition, Additional Amounts will not be payable with respect to any Taxes that are imposed in respect of any combination of the above items.

Notwithstanding anything herein to the contrary, none of the Issuer, the Guarantors, nor any Paying Agent or any other person shall be required to pay any Additional Amounts with respect to any withholding or deduction imposed on or in respect of any Note or Notes Guarantee pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder ("**FATCA**"), the laws of a Relevant Taxing Jurisdiction implementing FATCA, any law implementing an intergovernmental approach thereto, or any agreement between the Issuer and the United States or any authority thereof entered into for FATCA purposes.

The Issuer or Guarantor will also make or cause to be made such withholding or deduction of Taxes and remit the full amount of Taxes so deducted or withheld to the relevant taxing authority in accordance with all applicable laws. The Issuer will, upon request, make available to the Trustee, within 30 days after the date on which the payment of any Taxes so deducted or withheld is due pursuant to applicable law, certified copies of tax receipts evidencing such payment by the Issuer or a Guarantor or if, notwithstanding the Issuer's reasonable efforts to obtain such receipts, the same are not obtainable, other evidence reasonably satisfactory to the Trustee of such payment by the Issuer.

At least 30 calendar days prior to each date on which any payment under or with respect to the Notes is due and payable, if the Issuer or a Guarantor will be obliged to pay Additional Amounts with respect to such payment (unless such obligation to pay Additional Amounts arises after the 30th day prior to the date on which payment under or with respect to the Notes is due and payable, in which case it will be promptly thereafter), the Issuer or Guarantor will deliver to the Trustee an Officer's Certificate stating that such Additional Amounts will be payable and the amounts so payable and setting forth such other information as is necessary to enable such Trustee or Paying Agent to pay such Additional Amounts to the holders on the payment date. The Issuer will promptly publish a notice in accordance with the provisions set forth in "—Notices" stating that such Additional Amounts will be payable and describing the obligation to pay such amounts.

The Indenture will further provide that if the Issuer or a Guarantor conducts business in any jurisdiction (an "**Additional Taxing Jurisdiction**") other than a Relevant Taxing Jurisdiction and, as a result, is required by the law of such Additional Taxing Jurisdiction to withhold or deduct any amount on account of the Taxes imposed by such Additional Taxing Jurisdiction from payment under the Notes or any Notes Guarantee, as the case may be, which would not have been required to be so withheld or deducted but for such conduct of business in such Additional Taxing Jurisdiction, the Additional Amounts provision described above will be considered to apply as if references in such provision to "Taxes" included taxes imposed by way of withholding or deduction by any such Additional Taxing Jurisdiction (or any political subdivision thereof or therein).

In addition, the Issuer or a Guarantor will pay (i) any present or future stamp, issue, registration, transfer, documentation, court, excise or property taxes or other similar taxes, charges and duties, including interest, penalties and Additional Amounts with respect thereto in respect of the execution, issue, delivery, registration, redemption or retirement of, or receipt of payments to, the Notes, the Indenture or the Notes Guarantees, or any other document or instrument referred to thereunder; (ii) any such taxes, charges or duties imposed by any jurisdiction as a result of, or in connection with, the enforcement of the Notes, Notes Guarantee or any other such document or instrument following the occurrence of any Event of Default with respect to the Notes; and (iii) any stamp, court or documentary taxes (or similar charges or levies) imposed with respect to the receipt of any payments with respect to the Notes or the Notes Guarantees.

The foregoing provisions will survive any termination, defeasance or discharge of the Indenture and will apply mutatis mutandis to any jurisdiction in which any Surviving Entity (as defined below) or successor person to the Issuer or a Guarantor is organized, engaged in business, resident for tax purposes or otherwise subject to taxation on a net income basis or any political subdivision or taxing authority or agency thereof or therein.

Whenever in the Indenture or this "Description of Notes" there is mentioned, in any context, the payment of principal (and premiums, if any), interest or any other amount payable under or with respect to any Note (including payments thereof made pursuant to any Notes Guarantee), such mention will be deemed to include mention of the payment of Additional Amounts.

***Redemption upon changes in withholding taxes***

The Issuer may, at its option, redeem the Notes, in whole but not in part, at any time upon giving not less than 30 nor more than 60 days' notice to the holders, at a redemption price equal to 100% of the principal amount thereof, together with

accrued and unpaid interest thereon, if any, to the redemption date and all Additional Amounts, if any, then due and which will become due on the date of redemption as a result of the redemption or otherwise, if the Issuer determines in good faith that the Issuer is or, on the next date on which any amount would be payable in respect of the Notes, would be obliged to pay Additional Amounts (as defined above under "*—General—Additional Amounts*") in respect of the Notes pursuant to the terms and conditions thereof, which the Issuer cannot avoid by the use of reasonable measures available to it as a result of:

(1) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of any Relevant Taxing Jurisdiction (as defined above under "*—General—Additional Amounts*") affecting taxation which change or amendment becomes effective on or after the date of the Indenture or, if the Relevant Taxing Jurisdiction has changed since the date of the Indenture, on or after the date on which the then current Relevant Taxing Jurisdiction became the Relevant Taxing Jurisdiction under the Indenture (or, in the case of a successor person, on or after the date of assumption by the successor person of the Issuer's obligations hereunder); or

(2) any change in, or amendment to, the official application, administration, or interpretation of the laws, treaties, regulations or rulings of any Relevant Taxing Jurisdiction (including a holding, judgment or order by a court of competent jurisdiction or a change in established practice) on or after the date of the Indenture or, if the Relevant Taxing Jurisdiction has changed since the date of the Indenture, on or after the date on which the then current Relevant Taxing Jurisdiction became the Relevant Taxing Jurisdiction under the Indenture (or, in the case of a successor person, on or after the date of assumption by the successor person of the Issuer's obligations hereunder) (each of the foregoing Clauses (1) and (2), a "**Change in Tax Law**").

Notwithstanding the foregoing, the Issuer may not redeem the Notes under this provision if the Relevant Taxing Jurisdiction changes under the Indenture and the Issuer is obliged to pay Additional Amounts as a result of a Change in Tax Law of the then current Relevant Taxing Jurisdiction which, at the time the latter became the Relevant Taxing Jurisdiction under the Indenture, had been publicly announced as being or having been formally proposed.

In the case of Additional Amounts required to be paid as a result of the Issuer conducting business in an Additional Taxing Jurisdiction (as defined above), the Change in Tax Law must become effective after the date the Issuer begins to conduct the business giving rise to the relevant withholding or deduction.

Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Issuer would be obliged to make such payment of Additional Amounts or withholding if a payment in respect of the Notes were then due and (b) unless at the time such notice is given, the obligation to pay Additional Amounts remains in effect.

Prior to the publication or, where relevant, mailing of any notice of redemption pursuant to the foregoing, the Issuer will deliver to the Trustee:

(1) an Officer's Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred (including that such obligation to pay such Additional Amounts cannot be avoided by the Issuer taking reasonable measures available to it); and

(2) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, of independent tax counsel of recognized standing, qualified under the laws of the Relevant Taxing Jurisdiction and reasonably satisfactory to the Trustee to the effect that the Issuer is or would be obliged to pay such Additional Amounts as a result of a Change in Tax Law.

Absent manifest error, the Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders.

The foregoing provisions will apply *mutatis mutandis* to any successor person, after such successor person becomes a party to the Indenture, with respect to a Change in Tax Law occurring after the time such successor person becomes a party to the Indenture.

***Notes Guarantees***

The Guarantors will, jointly and severally, fully and unconditionally guarantee on a senior basis obligations under the Notes and the Indenture. Each Guarantor will agree that its Notes Guarantee is unconditional, irrespective of the validity, regularity or enforceability of the Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuer, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defence of a guarantor.

The Notes Guarantee of each Guarantor:

- is a general senior unsecured obligation of such Guarantor;
- ranks senior in right of payment to all existing and future Guarantor Subordinated Obligations of such Guarantor;
- ranks equally in right of payment to any future senior Indebtedness of such Guarantor, without giving effect to collateral arrangements, including the guarantee by such Guarantor of the Existing Notes; and
- effectively ranks junior to any existing or future Indebtedness of such Guarantor secured by property or assets to the extent of the value of such property or assets.

Although the Indenture will limit the amount of Indebtedness that the Guarantors may Incur, such Indebtedness may be substantial and such limitation is subject to a number of significant qualifications. Moreover, the Indenture does not impose any limitation on the Incurrence by the Guarantors of liabilities that are not considered Indebtedness under the Indenture. See "*—Certain covenants—Limitation on Indebtedness*."

The obligations of each Guarantor under its Notes Guarantee will be limited as necessary to prevent the Notes Guarantee from constituting a fraudulent conveyance or fraudulent transfer under applicable law, and to reflect limitations with respect to corporate benefit and other legal restrictions as applicable, although no assurance can be given that a court would give the holder the benefit of such provision. See "*Risk factors—Risks Related to the Notes and the Guarantees—Fraudulent transfer, commercial benefit or insolvency related claw-back laws may adversely affect the validity and enforceability of the Guarantees*".

The Notes Guarantee of a Subsidiary Guarantor will be automatically released:

(a) upon any sale or other disposition of (i) Capital Stock of a Subsidiary Guarantor following which such Subsidiary Guarantor is no longer a Restricted Subsidiary or (ii) all or substantially all of the properties and assets of a Subsidiary Guarantor to a Person that is not (either before or after giving effect to such transaction) the Parent, a Restricted Subsidiary or any Affiliate of the Parent and that complies with the covenant described in "*—Certain covenants—Limitation on sales of assets and Subsidiary stock*;"

(b) upon the designation of such Subsidiary Guarantor as an Unrestricted Subsidiary;

(c) in the circumstances set forth in the fifth paragraph of "*—Certain covenants—Merger and consolidation*;"

(d) upon irrevocable repayment of the Notes;

(e) upon defeasance or satisfaction and discharge of the Indenture as described below under "*—Defeasance*" or "*—Satisfaction and discharge*;" or

(f) in the case of the Notes Guarantee issued by Zhaikmunai LLP, upon completion of the Substitution in compliance with the provisions described below under "*—Certain covenants—Substitution.*"

### *Proceeds Loan*

On or after the Issue Date, the Issuer will loan the proceeds of the Notes to Zhaikmunai LLP (the "**Proceeds Loan**"). Interest will accrue on the Proceeds Loan at a rate equal to the interest rate payable on the Notes plus a certain margin, with such adjustments as may be necessary to match any additional amounts due thereunder, or any default interest, tax gross up or other amounts payable in respect of the Notes. Interest and other amounts payable on the Proceeds Loan will be payable on the date that is four Business Days prior to the date on which such amounts are payable on the Notes. The Proceeds Loan is, among other things, repayable on the date that is four Business Days prior to the date that all amounts under the Notes are due, in full or in part, and whether at maturity, on early redemption or upon acceleration.

### *Change of Control*

If a Change of Control occurs, unless the Issuer has previously or concurrently exercised its right to redeem all of the Notes as described under "*General—Optional redemption*," each holder will have the right to require the Issuer to repurchase all or any part (equal to U.S.$200,000 or an integral multiple of U.S.$1,000 in excess of U.S.$200,000) of such holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Within 30 days following any Change of Control, unless the Issuer has previously or concurrently exercised its right to redeem all of the Notes as described under "*General—Optional redemption*," the Issuer will mail a notice (the "**Change of Control Offer**") to each holder, with a copy to the Trustee, stating:

(1) that a Change of Control has occurred and that such holder has the right to require the Issuer to purchase such holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on a record date to receive interest on the relevant interest payment date) (the "**Change of Control Payment**");

(2) the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed or delivered) (the "**Change of Control Payment Date**");

(3) that any Note not properly tendered will remain outstanding and continue to accrue interest;

(4) that unless the Issuer defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date;

(5) that holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender such Notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of such Notes completed, to the Paying Agent specified in the notice at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(6) that holders will be entitled to withdraw their tendered Notes and their election to require the Issuer to purchase such Notes, *provided that* the Paying Agent receives, not later than the close of business on the 30th day following the date of the Change of Control Offer, a telegram, telex, facsimile transmission or letter (or any method of reply specified as acceptable in the notice from the Issuer) setting forth the name of the holder of the Notes, the principal amount of Notes tendered for purchase, and a statement that such holder is withdrawing its tendered Notes and its election to have such Notes purchased;

(7) that if the Issuer is redeeming less than all of the Notes, the holders of the remaining Notes will be issued new Notes and such new Notes will be equal in principal amount to the unpurchased portion of the Notes surrendered. The unpurchased portion of the Notes must be equal to a minimum principal amount of U.S.$200,000 and an integral multiple of U.S.$1,000 in excess of U.S.$200,000; and

(8) the procedures determined by the Issuer, consistent with the Indenture, that a holder must follow in order to have its Notes repurchased.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes (in a minimum principal amount of U.S.$200,000 and integral multiples of U.S.$1,000 in excess of U.S.$200,000) properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered and not properly withdrawn; and

(3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer.

The Paying Agent will promptly mail or deliver to each holder of Notes properly tendered and not properly withdrawn the Change of Control Payment for such Notes, and the Trustee, or an authenticating agent appointed by it, will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided that* each such new Note will be in a minimum principal amount of U.S.$200,000 or an integral multiple of U.S.$1,000 in excess of U.S.$200,000.

If the Change of Control Payment Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest, will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no further interest will be payable to holders who tender pursuant to the Change of Control Offer.

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders to require that the Parent repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Issuer will comply, to the extent applicable, with the requirements of Rule 14e-1 of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes as a result of a Change of Control. To the extent that

the provisions of any securities laws or regulations conflict with provisions of the Indenture, or compliance with the Change of Control provisions of the Indenture would constitute a violation of any such laws or regulations, the Issuer will comply with the applicable securities laws and regulations and will be deemed not to have breached its obligations under the Change of Control provisions of the Indenture by virtue of its compliance with such securities laws or regulations.

Notices in respect of the Notes will be given in the manner set forth below under "*Notices*."

The Issuer's ability to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. Future Indebtedness of the Issuer, the Parent and its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of their right to require the Issuer to repurchase the Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer or the Parent. Finally, the Issuer's ability to pay cash to the holders upon a repurchase may be limited by the Issuer's or the Parent's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. Any failure of the Issuer to offer to purchase the Notes would constitute a Default under the Indenture, which in turn may constitute a default under an instrument evidencing other Indebtedness of the Issuer, including the Existing Notes.

Even if sufficient funds were otherwise available, future Indebtedness may prohibit the Issuer's or the Parent's prepayment or repurchase of Notes before their scheduled maturity. Consequently, if the Issuer is not able to prepay the Indebtedness under any such other Indebtedness containing similar restrictions or obtain requisite consents, the Issuer will be unable to fulfil its repurchase obligations if holders of Notes exercise their rights following a Change of Control, resulting in a default under the Indenture. A default under the Indenture may result in a cross-default under any such other Indebtedness.

The Change of Control provisions described above may deter certain mergers, tender offers and other takeover attempts involving the Parent. The Change of Control purchase feature is a result of negotiations between the underwriters and us. Subject to the limitations discussed below, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. Restrictions on our ability to incur additional Indebtedness are contained in the covenants described under "*—Certain covenants—Limitation on Indebtedness*" and "*—Certain covenants—Limitation on Liens.*" Such restrictions in the Indenture can be waived only with the consent of the holders of a majority in principal amount of the Notes then outstanding. Except for the limitations contained in such covenants, however, the Indenture will not contain any covenants or provisions that may afford holders of the Notes protection in the event of a highly leveraged transaction.

The definition of "Change of Control" includes a disposition of all or substantially all of the property and assets of the Parent and its Restricted Subsidiaries taken as a whole to any Person. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a holder of Notes may require the Parent to make an offer to repurchase the Notes as described above.

## Certain covenants

### *Limitation on Indebtedness*

The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness) and the Parent will not permit any of its Restricted Subsidiaries to issue Preferred Stock; *provided, however*, *that* the Parent may Incur Indebtedness (including Acquired Indebtedness) and the Issuer or any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and issue Preferred Stock if, in each case, as of the date of such Incurrence or issuance, the Consolidated Coverage Ratio for the Parent and its Restricted Subsidiaries is at least 3.00 to 1.00, determined on a pro forma basis (including a pro forma application of proceeds).

This covenant will not prohibit the Incurrence of the following Indebtedness:

(1) Reserved;

(2) Guarantees by the Issuer or the Guarantors of Indebtedness of the Issuer or a Guarantor, as the case may be, Incurred in accordance with the provisions of the Indenture; *provided that* in the event such Indebtedness that is being Guaranteed is a Subordinated Obligation or a Guarantor Subordinated Obligation, then the related Guarantee shall be subordinated in right of payment to the Notes or the Notes Guarantee, as the case may be, to at least the same extent as the Indebtedness being Guaranteed;

(3) Indebtedness of the Issuer owing to and held by any Guarantor or Indebtedness of a Guarantor owing to and held by the Issuer or any other Guarantor; *provided, however, that* (i) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being held by a Person other than the Issuer or a Guarantor and (ii) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Guarantor shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Issuer or such Guarantor, as the case may be;

(4) Indebtedness represented by (a) the Notes issued on the Issue Date, all Notes Guarantees and the Proceeds Loan, (b) any Indebtedness (other than the Indebtedness described in Clauses (2) and (3) above) outstanding on the Issue Date and (c) any Refinancing Indebtedness Incurred in respect of any Indebtedness described in this Clause (4) or Clause (5) or Incurred pursuant to the first paragraph of this covenant;

(5) Indebtedness of a Person that becomes a Guarantor or is acquired by the Issuer or a Guarantor or merged into the Issuer or a Guarantor in accordance with the Indenture and outstanding on the date on which such Person became a Guarantor or was acquired by or was merged into the Issuer or a Guarantor (other than Indebtedness Incurred (a) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Guarantor or was otherwise acquired by or was merged into the Issuer or a Guarantor or (b) otherwise in connection with, or in contemplation of, such acquisition); *provided, however, that* at the time such Person becomes a Guarantor or is acquired by or was merged into the Issuer or a Guarantor, the Parent would have been able to Incur U.S.$1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving effect to the Incurrence of such Indebtedness pursuant to this Clause (5);

(6) the Incurrence by the Issuer or a Guarantor of Indebtedness represented by Capitalized Lease Obligations, mortgage financings or purchase money obligations, in each case Incurred for the purpose of financing all or any part of the purchase price or cost of installation, construction or improvements or carrying costs of property, plant and equipment used in the business of the Guarantors or the Issuer, and Refinancing Indebtedness Incurred to Refinance any Indebtedness Incurred pursuant to this Clause (6) in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this Clause (6) and then outstanding, will not exceed U.S.$5 million at any time outstanding;

(7) the Incurrence by the Parent or any Restricted Subsidiary of any Hedging Obligations not for speculative purposes;

(8) the incurrence by the Issuer or a Guarantor of Indebtedness in respect of workers' compensation claims, health, disability or other benefits to employees or former employees or their families or property, casualty or liability insurance, self-insurance obligations and bankers' acceptances in the ordinary course of business;

(9) Indebtedness arising from agreements of the Issuer or a Guarantor providing for customary indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary, *provided that* the maximum liability of the Parent and the Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Parent and the Restricted Subsidiaries in connection with such disposition;

(10) Indebtedness of the Parent and the Restricted Subsidiaries in respect of letters of credit, bid, surety, performance, appeal and similar bonds, completion guarantees, judgment, advance payment, customs, VAT or other tax guarantees or similar instruments issued in the ordinary course of business of such Person and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of self-insurance and workers' compensation obligations, *provided, however*, *that* upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing;

(11) Indebtedness of the Parent or any Restricted Subsidiary to the extent the net proceeds thereof are concurrently with the Incurrence thereof deposited to defease the Notes in full as described below under "*—Defeasance*" or "*—Satisfaction and discharge*;"

(12) Capital Stock (other than Disqualified Stock) of the Parent or of any of the Subsidiary Guarantors;

(13) in addition to the items referred to in Clauses (2) through (12) above, Indebtedness of the Issuer or a Guarantor in an aggregate outstanding principal amount (including all Indebtedness incurred to renew, refund, refinance, replace, or discharge any Indebtedness incurred pursuant to this Clause (13)) which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this Clause (13) and then outstanding, will not at any time exceed the greater of U.S.$20 million or 2% of Total Net Assets.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event an item of that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Parent, in its sole discretion, will classify such item of Indebtedness on the date of Incurrence and may reclassify all or a portion of such item of Indebtedness in any manner that complies with this covenant;

(2) Guarantees of, or obligations in respect of letters of credit supporting, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(3) Reserved;

(4) the principal amount of any Disqualified Stock of the Parent or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary that is not a Subsidiary Guarantor, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(5) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and

(6) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with GAAP.

Accrual of interest, accrual of dividends, the amortization of debt discount or the accretion of accreted value, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock and unrealized losses or charges in respect of Hedging Obligations will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be the principal amount or liquidation preference thereof, as applicable, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary is redesignated as a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of the date of such redesignation (and, if such Indebtedness is not permitted to be Incurred as of such date under this "**Limitation on Indebtedness**" covenant, the Parent shall be in Default of this covenant).

For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided that* if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than U.S. dollars, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Parent and its Restricted Subsidiaries may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

The Indenture will not treat (1) unsecured Indebtedness as subordinated or junior to secured Indebtedness merely because it is unsecured or (2) senior Indebtedness as subordinated or junior to any other senior Indebtedness merely because it has a junior priority with respect to the same collateral.

***Limitation on Restricted Payments***

The Parent will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any payment or distribution on or in respect of the Parent's Capital Stock (including any payment or distribution in connection with any merger or consolidation involving the Parent or any of its Restricted Subsidiaries) except:

  (a) dividends or distributions by the Parent payable solely in Capital Stock of the Parent (other than Disqualified Stock);

  (b) dividends or distributions payable (i) to the Parent or a Restricted Subsidiary and (ii) if paid by a Restricted Subsidiary that is not a Wholly-Owned Subsidiary, to minority stockholders (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation) so long as the Parent or a Restricted Subsidiary receives at least its pro rata share of such dividend or distribution; and

  (c) any dividend, distribution, sale, assignment, transfer, conveyance, lease or other disposition of all or substantially all of the assets of the Parent to the extent permitted by, and in compliance with, "*—Certain covenants—Merger and consolidation*" to a Successor Company (as defined under Clause (1) of "*—Certain covenants—Merger and consolidation*") of the Parent in connection with any Reorganization Transaction.

(2) purchase, redeem, defease, retire or otherwise acquire for value any Capital Stock of the Parent or any direct or indirect parent of the Parent held by Persons other than the Parent or a Restricted Subsidiary or any Capital Stock of a Restricted Subsidiary held by any Affiliate of the Parent (other than by a Restricted Subsidiary), in each case other than in exchange for Capital Stock of the Parent (other than Disqualified Stock);

(3) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Obligations or Guarantor Subordinated Obligations (other than Indebtedness permitted under Clause (3) of the second paragraph of the covenant "*—Certain covenants—Limitation on Indebtedness*"); or

(4) make any Restricted Investment

(any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in Clauses (1) through (4) shall be referred to herein as a "**Restricted Payment**") if at the time the Parent or such Restricted Subsidiary makes such Restricted Payment:

  (a) a Default shall have occurred and be continuing (or would result therefrom);

  (b) the Parent is not able to Incur an additional U.S.$1.00 of Indebtedness pursuant to the covenant described under the first paragraph under "*—Certain covenants—Limitation on Indebtedness*" after giving effect, on a pro forma basis, to such Restricted Payment; or

  (c) the aggregate amount of such Restricted Payment and all other Restricted Payments declared or made subsequent to October 1, 2010 would exceed the sum of:

    (i) 50% of Consolidated Net Income for the period (treated as one accounting period) from October 1, 2010 to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which financial statements are available (or, in case such Consolidated Net Income is a deficit, minus 100% of such deficit);

    (ii) 100% of the aggregate Net Cash Proceeds received by the Parent from the issue or sale of its Capital Stock (other than Disqualified Stock) or other cash capital contributions to the Parent subsequent to October 19, 2010 (other than Net Cash Proceeds received from an issuance or sale of such Capital Stock to (y) a Subsidiary of the Parent or (z) an employee stock ownership plan, option plan or similar trust);

    (iii) the amount by which Indebtedness of the Parent or its Restricted Subsidiaries is reduced on the Parent's balance sheet upon the conversion or exchange (other than by a Wholly-Owned Subsidiary of the Parent) subsequent to October 19, 2010 of any Indebtedness of the Parent or its Restricted Subsidiaries convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Parent (less the amount of any cash, or the Fair Market Value of any other property (other than such Capital Stock), distributed by the Parent upon such conversion or exchange), together with the net proceeds, if any, received by the Parent or any of its Restricted Subsidiaries upon such conversion or exchange; *provided that* the foregoing amount shall not exceed the Net Cash Proceeds received by the Parent or any Restricted Subsidiary from the sale of such Indebtedness (excluding Net Cash Proceeds from sale to (y) a Subsidiary of the Parent or (z) an employee stock ownership plan, option plan or similar trust); and

(iv) the amount equal to the aggregate net reduction in Restricted Investments that were made by the Parent or any of its Restricted Subsidiaries in any Person after October 19, 2010 resulting from:

(A) repurchases, repayments or redemptions of such Restricted Investments by such Person, proceeds realized upon the sale of such Restricted Investment (other than to a Subsidiary of the Parent), repayments of loans or advances or other transfers of assets (including by way of dividend or distribution) by such Person to the Parent or any Restricted Subsidiary; and

(B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued in each case as provided in the definition of "**Investment**")

not to exceed, in each case, the amount of Restricted Investments previously made by the Parent or any Restricted Subsidiary in such Person or Unrestricted Subsidiary; *provided*, *however*, that no amount will be included under this Clause (iv) to the extent it is already included in Consolidated Net Income.

The provisions of the preceding paragraph will not prohibit:

(1) any Restricted Payment made by exchange for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Parent (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary of the Parent or an employee stock ownership plan or similar trust) or a substantially concurrent cash capital contribution received by the Parent from its shareholders; *provided*, *however*, *that* (a) such Restricted Payment will be excluded from subsequent calculations of the amount of Restricted Payments and (b) the Net Cash Proceeds from such sale of Capital Stock or capital contribution will be excluded from Clause (c)(ii) of the preceding paragraph;

(2) so long as no Default has occurred and is continuing, any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations or Guarantor Subordinated Obligations made by exchange for, or out of the proceeds of the substantially concurrent Incurrence of, Refinancing Indebtedness of such Person that, in each case, is permitted to be Incurred pursuant to the covenant described under "*—Certain covenants—Limitation on Indebtedness*;" *provided*, *however*, *that* such purchase, repurchase, redemption, defeasance, acquisition or retirement will be excluded from subsequent calculations of the amount of Restricted Payments;

(3) so long as no Default has occurred and is continuing, any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock of the Parent or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Disqualified Stock of the Parent or such Restricted Subsidiary, as the case may be, that, in each case, does not mature, is redeemable, convertible or exchangeable prior to the retired Disqualified Stock and is permitted to be Incurred pursuant to the covenant described under "*—Certain covenants—Limitation on Indebtedness*;" *provided*, *however*, *that* such purchase, repurchase, redemption, defeasance, acquisition or retirement will be excluded from subsequent calculations of the amount of Restricted Payments;

(4) dividends paid or distributions made within 60 days after the date of declaration if at such date of declaration such dividend or distribution would have complied with this covenant; *provided*, *however*, *that* such dividends and distributions will be included in subsequent calculations of the amount of Restricted Payments; and provided further, however, that for purposes of clarification, this Clause (4) shall not include cash payments in lieu of the issuance of fractional shares included in Clause (7) below;

(5) so long as no Default has occurred and is continuing, the purchase, repurchase, redemption or other acquisition or retirement for value of Capital Stock or options, warrants, equity appreciation rights or other rights to purchase or acquire Capital Stock of the Parent or any Restricted Subsidiary held by any existing or former employees, management, officers or directors of the Parent or any Restricted Subsidiary or their assigns, estates or heirs, in each case in connection with the repurchase provisions under employee stock option or stock purchase agreements or other agreements to compensate management, employees, officers or directors; *provided that* such purchases, repurchases, redemptions, acquisitions or retirements during any calendar year will not exceed U.S.$2 million in the aggregate; *provided further*, that such maximum amount in any calendar year may be increased by an amount not to exceed (A) the cash proceeds received by the Parent from the sale of Capital Stock of the Parent to members of management or directors of the Parent and its Restricted Subsidiaries that occurs after the Issue Date (to the extent the cash proceeds from the sale of such Capital Stock have not otherwise been applied to the making of Restricted Payments pursuant to Clause (c) of the preceding paragraph), plus (B) the cash proceeds of key man life insurance policies received by the Parent and its Restricted Subsidiaries after the Issue Date; *provided further*, however, that the amount of any such purchase, repurchase, redemption, acquisition or retirement will be included in subsequent calculations of the amount of Restricted Payments and the proceeds received from any such sale will be excluded from Clause (c)(ii) of the preceding paragraph;

(6) repurchases, redemptions or other acquisitions or retirements for value of Capital Stock deemed to occur upon the exercise of stock options, warrants, rights to acquire Capital Stock or other convertible securities if such Capital Stock represents a portion of the exercise or exchange price thereof, and any repurchases, redemptions or other acquisitions or

retirements for value of Capital Stock made in lieu of withholding taxes in connection with any exercise or exchange of warrants, options or rights to acquire Capital Stock; *provided*, *however*, that such repurchases will be excluded from subsequent calculations of the amount of Restricted Payments;

(7) cash payments in lieu of the issuance of fractional shares; *provided*, *however*, that any payment pursuant to this Clause (7) shall be excluded from subsequent calculations of the amount of Restricted Payments;

(8) the declaration and payment of scheduled or accrued dividends to holders of any class of or series of Disqualified Stock of the Parent or any Preferred Stock of any Restricted Subsidiaries issued on or after the Issue Date in accordance with the covenant captioned "*—Certain covenants—Limitation on Indebtedness*," to the extent such dividends are included in Consolidated Interest Expense; *provided*, *however*, *that* any payment pursuant to this Clause (8) shall be excluded from subsequent calculations of the amount of Restricted Payments; and

(9) to the extent constituting Restricted Payments, any payments pursuant to Clause (8) or Clause (9) of the second paragraph of the covenant described under "*—Certain covenants—Limitation on Affiliate Transactions*;" *provided that* the amount of such Restricted Payments shall be excluded from subsequent calculations of the amount of Restricted Payments.

The amount of all Restricted Payments (other than cash) shall be the Fair Market Value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Parent or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The Fair Market Value of any cash Restricted Payment shall be its face amount and the Fair Market Value of any non-cash Restricted Payment shall be determined as provided in the definition of "**Fair Market Value**."

In the event that a Restricted Payment meets the criteria of more than one of the exceptions described in Clauses (1) through (9) above or is entitled to be made pursuant to the first paragraph above, the Parent shall, in its sole discretion, classify such Restricted Payment.

As of the Issue Date, the Parent has no Unrestricted Subsidiaries. The Parent will not permit any Unrestricted Subsidiary to become a Restricted Subsidiary except pursuant to the last sentence of the definition of "Unrestricted Subsidiary." For purpose of designating any Restricted Subsidiary as an Unrestricted Subsidiary, all outstanding Investments by the Parent and its Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments in an amount determined as set forth in the last sentence of the definition of "**Investment**." Such designation will be permitted only if a Restricted Payment in such amount would be permitted at such time, whether pursuant to the first or second paragraph of this covenant or pursuant to the definition of "**Permitted Investments**," and if such Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants set forth in the Indenture.

***Limitation on Liens***

The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, Incur or suffer to exist any Lien (the "**Initial Lien**") other than Permitted Liens upon any of its property or assets (including Capital Stock of Restricted Subsidiaries), including any income or profits therefrom, whether owned on the date of the Indenture or acquired after that date; *provided that* the Parent and any of its Restricted Subsidiaries may Incur or suffer to exist any Initial Lien on property or assets if, contemporaneously with the Incurrence of such Initial Lien, effective provision is made to secure the Indebtedness due under the Notes and Notes Guarantees equally and ratably with (or senior in priority to in the case of Initial Liens with respect to Subordinated Obligations or Guarantor Subordinated Obligations, as the case may be) the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured.

Any Lien created for the benefit of the holders of the Notes pursuant to the preceding paragraph shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged upon the release and discharge of the Initial Lien.

***Limitation on restrictions on distributions from Restricted Subsidiaries***

The Parent will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock or pay any Indebtedness or other obligations owed to the Parent or any Restricted Subsidiary (it being understood that the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock shall not be deemed a restriction on the ability to make distributions on Capital Stock);

(2) make any loans or advances to the Parent or any Restricted Subsidiary (it being understood that the subordination of loans or advances made to the Parent or any Restricted Subsidiary to other Indebtedness Incurred by the Parent or any Restricted Subsidiary shall not be deemed a restriction on the ability to make loans or advances); or

(3) sell, lease or otherwise transfer any of its property or assets to the Parent or any Restricted Subsidiary.

The preceding provisions will not prohibit:

(i) (a) any encumbrance or restriction pursuant to or by reason of an agreement in effect at or entered into on the Issue Date, and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided that* the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such encumbrance or restriction than those contained in those agreements on the Issue Date and (b) any encumbrances or restrictions pursuant to or by reason of the Notes Documents;

(ii) any encumbrance or restriction with respect to a Person pursuant to or by reason of an agreement or instrument relating to any Capital Stock or Indebtedness Incurred by such Person on or before the date on which such Person was acquired by the Parent or another Restricted Subsidiary (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person was acquired by the Parent or a Restricted Subsidiary or in contemplation of the transaction) and outstanding on such date; *provided that* any such encumbrance or restriction shall not extend to any assets or property of the Parent or any other Restricted Subsidiary other than the assets and property of the Person so acquired;

(iii) encumbrances and restrictions contained in contracts entered into in the ordinary course of business, not relating to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of, or from the ability of the Parent and the Restricted Subsidiaries to realize the value of, property or assets of the Parent or any Restricted Subsidiary in any manner material to the Parent or any Restricted Subsidiary;

(iv) in the case of Clause (3) of the first paragraph of this covenant, any encumbrance or restriction:

(a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease (including leases governing leasehold interests), license or similar contract, or the assignment or transfer of any such lease (including leases governing leasehold interests), license (including, without limitation, licenses of intellectual property) or other contract;

(b) contained in mortgages, pledges or other security agreements permitted under the Indenture securing Indebtedness of the Parent or a Restricted Subsidiary to the extent such encumbrances or restrictions restrict the transfer of the property subject to such mortgages, pledges or other security agreements;

(c) contained in Hedging Obligations permitted from time to time under the Indenture;

(d) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Parent or any Restricted Subsidiary;

(e) restrictions on cash or other deposits imposed by customers under contracts entered into in the ordinary course of business;

(f) provisions with respect to the disposition or distribution of assets or property in operating agreements, joint venture agreements, development agreements, area of mutual interest agreements and other agreements that are customary in the Oil and Gas Business and entered into in the ordinary course of business;

(g) purchase money obligations, mortgage financings, Capitalized Lease Obligations Incurred pursuant to Clause (6) of the second paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness*" that impose restrictions on the property purchased or leased; or

(h) Liens (including pursuant to Clause (33) of the definition of Permitted Liens) permitted to be incurred under the provisions of the covenant described under "*—Certain covenants—Limitation on Liens*" that limit the right of the debtor to dispose of the assets subject to such Liens.

(v) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition of all or a portion of the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(vi) any customary encumbrances or restrictions imposed pursuant to any agreement of the type described in the definition of "**Permitted Business Investment**;"

(vii) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order or the terms of any authorisation, concession or permit;

(viii) any encumbrance or restriction contained in the terms of any Indebtedness Incurred pursuant to the first paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness*" or any guarantees thereof or liens related thereto and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of such terms if (x) either (i) the encumbrance or restriction applies only in the event of and during the continuance of a payment default or a default with respect to a financial covenant contained in such Indebtedness, guarantees or liens or (ii) the Parent determines at the time any such Indebtedness is Incurred (and at the time of any modification of the terms of any such encumbrance or restriction) that any such encumbrance or restriction will not materially affect the Issuer's and the Guarantors' ability to make principal or interest payments on the Notes and any other Indebtedness for borrowed money that is an obligation of the Issuer or the Guarantors and (y) the encumbrance or restriction is not materially more disadvantageous to the holders of the Notes than is customary in comparable financings or agreements (as determined by the Parent in good faith);

(ix) supermajority voting requirements existing under corporate charters, bylaws, stockholders agreements and similar documents and agreements;

(x) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and

(xi) any encumbrance or restriction existing under any agreement that extends, renews, refinances (including by way of Refinancing Indebtedness) or replaces the agreements containing the encumbrances or restrictions in the foregoing Clauses (i) through (x), or in this Clause (xi); *provided that* the terms and the conditions of any such encumbrances or restrictions are not more restrictive in any material respect than those under or pursuant to the agreement so extended, renewed, refinanced or replaced.

***Limitation on sales of assets and Subsidiary stock***

The Parent will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Parent or such Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value (such Fair Market Value to be determined on the date of contractually agreed for such Asset Disposition and including the value of all non-cash consideration), of the shares and assets subject to such Asset Disposition;

(2) at least 75% of the consideration received by the Parent or such Restricted Subsidiary, as the case may be, from such Asset Disposition is in the form of cash or Cash Equivalents or Additional Assets, or any combination thereof; and

(3) except as provided in the next paragraph, an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied, within one year from the date of such Asset Disposition by the Parent or such Restricted Subsidiary, as the case may be:

(a) to the extent that the Parent or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness), to prepay, repay, redeem or purchase any Indebtedness of the Parent or a Subsidiary Guarantor that is secured by a Lien permitted to be Incurred under the Indenture on a basis prior to the Notes or Indebtedness (other than Disqualified Stock) of any Subsidiary of the Parent that is not a Subsidiary Guarantor; *provided*, *however*, *that*, in connection with any prepayment, repayment, redemption or purchase of Indebtedness pursuant to this Clause (a), the Parent or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, redeemed or purchased;

(b) to invest in Additional Assets; or

(c) enter into a binding commitment to apply Net Available Cash pursuant to Clause (b) of this paragraph; *provided that* such binding commitment shall be treated as a permitted application of the Net Available Cash from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated and (y) the 180th day following the expiration of the aforementioned one year period;

*provided that* pending the final application of any such Net Available Cash in accordance with this covenant, the Parent and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested as provided in the preceding paragraph will be deemed to constitute "Excess Proceeds." Not later than the Business Day immediately following the date that is one year

from the later of the date of such Asset Disposition or the receipt of such Net Available Cash, if the aggregate amount of Excess Proceeds exceeds U.S.$10.0 million, the Issuer will be required to make an offer (an "**Asset Disposition Offer**") to all holders of Notes and, to the extent required by the terms of other *Pari Passu* Indebtedness, to all holders of other *Pari Passu* Indebtedness outstanding with similar provisions requiring the Issuer to make an offer to purchase such *Pari Passu* Indebtedness with the proceeds from any Asset Disposition to purchase the maximum principal amount of Notes and any such *Pari Passu* Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in cash in an amount equal to 100% of the principal amount (or, in the event such *Pari Passu* Indebtedness of the Issuer was issued with significant original issue discount, 100% of the accreted value thereof) of the Notes and *Pari Passu* Indebtedness plus accrued and unpaid interest, if any (or in respect of such *Pari Passu* Indebtedness, such lesser price, if any, as may be provided for by the terms of such Indebtedness), to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), in accordance with the procedures set forth in the Indenture or the agreements governing the *Pari Passu* Indebtedness, as applicable, in each case in minimum principal amount of U.S.$200,000 and integral multiples of U.S.$1,000 in excess of U.S.$200,000. If the aggregate principal amount of Notes surrendered by holders thereof and other *Pari Passu* Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Trustee shall select the Notes to be purchased on a pro rata basis on the basis of the aggregate principal amount of tendered Notes and *Pari Passu* Indebtedness. To the extent that the aggregate amount of Notes and *Pari Passu* Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for any purpose not prohibited by the Indenture.

The Asset Disposition Offer will remain open for a period of 20 Business Days following its commencement, except to the extent that a longer period is required by applicable law (the "**Asset Disposition Offer Period**"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "**Asset Disposition Purchase Date**"), the Issuer will purchase the principal amount of Notes and *Pari Passu* Indebtedness required to be purchased pursuant to this covenant (the "**Asset Disposition Offer Amount**") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and *Pari Passu* Indebtedness validly tendered in response to the Asset Disposition Offer.

If the Asset Disposition Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest, if any, will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no further interest will be payable to holders who tender Notes pursuant to the Asset Disposition Offer.

On the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Notes and *Pari Passu* Indebtedness or portions of Notes and *Pari Passu* Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and *Pari Passu* Indebtedness so validly tendered and not properly withdrawn, in each case in minimum principal amount of U.S.$200,000 and integral multiples of U.S.$1,000 in excess of U.S.$200,000. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant and, in addition, the Issuer will deliver all certificates and notes required, if any, by the agreements governing the *Pari Passu* Indebtedness. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after the termination of the Asset Disposition Offer Period) mail or deliver to each tendering holder of Notes or holder or lender of *Pari Passu* Indebtedness, as the case may be, an amount equal to the purchase price of the Notes or *Pari Passu* Indebtedness so validly tendered and not properly withdrawn by such holder or lender, as the case may be, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note, and the Trustee or an authenticating agent appointed by it, upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver such new Note to such holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided that* each such new Note will be in a minimum principal amount of U.S.$200,000 or an integral multiple of U.S.$1,000 in excess of U.S.$200,000. In addition, the Issuer will take any and all other actions required by the agreements governing the *Pari Passu* Indebtedness. Any Note not so accepted will be promptly mailed or delivered by the Issuer to the holder thereof. The Issuer will publicly announce the results of the Asset Disposition Offer on the Asset Disposition Purchase Date.

The Issuer will comply, to the extent applicable, with the requirements of Rule 14e-1 of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of its compliance with such securities laws or regulations.

For the purposes of Clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

(1) the assumption by the transferee of Indebtedness (other than Subordinated Obligations or Disqualified Stock) of the Parent or Indebtedness of a Restricted Subsidiary (other than Guarantor Subordinated Obligations, Preferred Stock or Disqualified Stock of any Restricted Subsidiary that is a Subsidiary Guarantor) and the unconditional release of the Parent or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition, in which case the Parent will, without further action, be deemed to have applied such deemed cash to Indebtedness in accordance with Clause (3)(a) of the first paragraph of this covenant;

(2) securities, notes or other obligations received by the Parent or any Restricted Subsidiary from the transferee that are converted by the Parent or such Restricted Subsidiary into cash within 180 days after receipt thereof; and

(3) consideration consisting of Indebtedness of the Parent (other than Subordinated Obligations or Disqualified Stock) or Indebtedness of a Restricted Subsidiary (other than Guarantor Subordinated Obligations, Preferred Stock or Disqualified Stock) which is either deemed repaid in full or is cancelled in connection with such Asset Disposition.

***Limitation on Affiliate Transactions***

The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into, make, amend or conduct any transaction (including making a payment to, the purchase, sale, lease or exchange of any property or the rendering of any service), contract, agreement or understanding with or for the benefit of any Affiliate of the Parent (an "**Affiliate Transaction**") unless:

(1) the terms of such Affiliate Transaction are no less favourable to the Parent or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction on an arm's-length basis with a Person that is not such an Affiliate as certified by an Officer's Certificate;

(2) the terms of such Affiliate Transaction have been approved by a majority of members of the Board of Directors of the Parent who are disinterested with respect to the transaction and such members of the Board of Directors have accepted the Officer's Certificate delivered pursuant to Clause (1) above; and

(3) if such Affiliate Transaction involves an aggregate consideration in excess of U.S.$25 million, the Board of Directors of the Parent has received a written opinion from an independent investment banking, accounting or appraisal firm of internationally recognized standing that such Affiliate Transaction is fair, from a financial standpoint, to the Parent or such Restricted Subsidiary or is not materially less favourable to the Parent and the Restricted Subsidiaries than those that could reasonably be expected to be obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate.

The preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Certain covenants—Limitation on Restricted Payments*" or any Permitted Investment;

(2) any issuance of Capital Stock (other than Disqualified Stock), or other payments, awards or grants in cash, Capital Stock (other than Disqualified Stock) or otherwise pursuant to, or the funding of, employment or severance agreements and other compensation arrangements, options to purchase Capital Stock (other than Disqualified Stock) of the Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits plans and/or indemnity provided on behalf of officers and employees approved by the Board of Directors of the Parent;

(3) loans or advances (or cancellations thereof) or guarantees of loans to employees or, officers of the Parent or any of its Restricted Subsidiaries or members of the Board of Directors of the Parent or any of its Restricted Subsidiaries not to exceed U.S.$5 million in the aggregate outstanding at any time;

(4) any transaction between the Parent and any Restricted Subsidiary or between Restricted Subsidiaries;

(5) any transaction with a joint venture or similar entity which would constitute an Affiliate Transaction solely because the Parent or a Restricted Subsidiary owns, directly or indirectly, Capital Stock in or otherwise controls such joint venture or similar entity;

(6) the issuance or sale of any Capital Stock (other than Disqualified Stock) of the Parent or the receipt by the Parent of any capital contribution;

(7) any employment agreement, employee compensation plan or employee benefit arrangement, indemnification and similar arrangement (including the payment of directors' and officers' insurance premiums), employee salaries and bonuses (including stock options) entered into in the ordinary course of business by the Parent or any of its Restricted Subsidiaries;

(8) the payment of reasonable compensation and fees paid to, and indemnity provided on behalf of, members of the Board of Directors of the Parent or any Restricted Subsidiary and indemnities of directors of the Parent or any of its Restricted Subsidiaries permitted by bylaws or statutory provisions;

(9) the agreements relating to, and payments thereunder to fund, the cost of services provided directly to the Parent or any Restricted Subsidiary by employees, officers, contractors, consultants or advisors (and related indemnities for such employees, officers, contractors, consultants or advisors) of the General Partner or of the Permitted Holder or of any Affiliate of the Permitted Holder; *provided that* the aggregate level of such payments shall be consistent with the ordinary course of business and past practice of the Parent and its Restricted Subsidiaries, taken as a whole;

(10) the performance of obligations of the Parent or any of its Restricted Subsidiaries under the terms of any agreement to which the Parent or any of its Restricted Subsidiaries is a party as of or on the Issue Date, as these agreements may be amended, modified, supplemented, extended or renewed from time to time; *provided*, *however*, *that* any future amendment, modification, supplement, extension or renewal entered into after the Issue Date will be permitted to the extent that its terms are not materially more disadvantageous, taken as a whole, to the holders of the Notes than the terms of the agreements in effect on the Issue Date; and

(11) transactions permitted by, and complying with, the provisions of "*—Certain covenants—Merger and consolidation*" and all agreements and instruments effecting such transactions.

***Reports to holders***

So long as any Notes are outstanding, the Parent will furnish to the Trustee (who, at the Parent's expense, will furnish to holders of the Notes):

(1) within 120 days after the end of the Parent's fiscal year, annual reports containing: (i) information with a scope that is substantially comparable in all material respects to the sections in this Offering Memorandum entitled "Risk Factors," "*Selected Historical Financial Information*," "*Business*," "*Management and Corporate Governance*," "*Related Parties and Related Party Transactions*" *and* "*Description of Significant Indebtedness and Certain Financial Arrangements*;" (ii) the audited consolidated balance sheet of the Parent and the Issuer as at the end of the most recent fiscal year and audited consolidated income statements and statements of cash flow of the Parent for the most recent two fiscal years, including appropriate footnotes to such financial statements, and the report of the independent auditors on the financial statements; and (iii) information with a level of detail that is substantially comparable in all material respects to the section in this Offering Memorandum entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations;"

(2) within 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Parent, (i) quarterly financial statements containing the Parent's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure and (ii) with respect to the second fiscal quarter in each fiscal year of the Parent information for such quarter and the year-to-date period with a level of detail that is substantially comparable in all material respects to the section in this Offering Memorandum entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations;" and

(3) promptly after the occurrence of a material event, acquisition, disposition, restructuring, changes of the Chief Executive Officer, Chief Financial Officer, Director of Geology or General Counsel of the Parent or a change in auditors of the Parent, a report containing a description of such event.

In addition, the Parent shall furnish to the holders of the Notes and to prospective investors, upon the request of such holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Exchange Act by Persons who are not "affiliates" under the Securities Act.

Notwithstanding the foregoing, the reports set forth in Clauses (1), (2) and (3) above will not be required to (i) contain any reconciliation to U.S. generally accepted accounting principles (or any replacement, in whole or in part, thereof), (ii) include separate financial statements for any Guarantors or non-Guarantors (or aggregate set of either thereof) or (iii) include any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum.

The Parent shall also make available copies of all reports furnished to the Trustee: (a) on the Parent's public website and (b) through the newswire service of Bloomberg, or, if Bloomberg does not then operate, any similar agency. In addition, if and so long as the Notes are listed on the Official List of the Irish Stock Exchange and traded on the Global Exchange Market and to the extent that the rules of the Irish Stock Exchange so require, copies of such reports furnished to the Trustee will also be made available at the specified office of the Paying Agent in Ireland.

At any time that any of the Parent's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Parent, then the annual financial information and the second fiscal quarter information, in each case, required by the first paragraph of this "*Reports to Holders*" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Parent and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries.

All reports provided pursuant to this "*Reports to Holders*" covenant shall be made in the English language.

***Merger and consolidation***

The Parent will not consolidate with or merge with or into (whether or not the Parent is the surviving corporation), or convey, transfer or lease all or substantially all of its assets in one or more related transactions to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "**Successor Company**") will be a corporation, partnership, trust or limited liability company organized and existing under the laws of any member state of the European Union, Switzerland, the Republic of Kazakhstan, British Virgin Islands, Isle of Man, Canada, the United States, any state of the United States or the District of Columbia and the Successor Company (if not the Parent) will expressly assume, by supplemental indenture and other appropriate agreements and instruments, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all of the obligations of the Parent under the Notes and the Indenture;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default shall have occurred and be continuing;

(3) immediately after giving pro forma effect to such transaction, the Successor Company would be able to Incur at least an additional U.S.$1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "*—Certain covenants—Limitation on Indebtedness*;"

(4) each Subsidiary Guarantor (unless it is the other party to the transactions above, in which case Clause (1) shall apply) shall have by supplemental indenture confirmed that its Notes Guarantee shall apply to such Successor Company's obligations in respect of the Indenture and the Notes;

(5) the Parent shall have delivered to the Trustee an Opinion of Counsel to the effect that the holders of Notes will not recognize income, gain or loss for United States federal and Isle of Man (or the jurisdiction of organization of any Successor Company) income tax purposes as a result of such transaction and will be subject to United States federal and Isle of Man (or the jurisdiction of organization of any Successor Company) income tax on the same amounts, in the same manner and at the same times as would have been the case if such transaction had not occurred; and

(6) the Parent shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and such supplemental indenture (if any) comply with the Indenture and such supplemental indenture, if any, and the Notes are enforceable.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Parent, which properties and assets, if held by the Parent instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Parent on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Parent.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Parent under the relevant Notes Documents; and the predecessor Parent, except in the case of a lease of all or substantially all its assets, will be released from all of its obligations under the relevant Notes Documents.

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

In addition, the Parent will not permit any Subsidiary Guarantor to consolidate with or merge with or into, and will not permit the conveyance, transfer or lease of substantially all of the assets of any Subsidiary Guarantor to, any Person (other than the Issuer, the Parent or another Subsidiary Guarantor) unless:

(1) (a) the resulting, surviving or transferee Person will be a corporation, partnership, trust or limited liability company organized and existing under the laws of any member state of the European Union, Switzerland, the Republic of Kazakhstan, British Virgin Islands, Isle of Man, Canada, the United States, any state of the United States or the District of Columbia and such Person (if not such Subsidiary Guarantor) will expressly assume, by supplemental indenture and

other appropriate agreements and instruments, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of such Subsidiary Guarantor under its Subsidiary Guarantee and (b) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the resulting, surviving or transferee Person or any Restricted Subsidiary as a result of such transaction as having been Incurred by such Person or such Restricted Subsidiary at the time of such transaction), no Default shall have occurred and be continuing; and

(2) the Parent shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture.

Following the Substitution, the Issuer will not consolidate with or merge with or into (whether or not the Issuer is the surviving corporation), or convey, transfer or lease all or substantially all of its assets in one or more related transactions to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "**Successor Company**") will be a corporation, partnership, trust or limited liability company organized and existing under the laws of any member state of the European Union, Switzerland, the Republic of Kazakhstan, British Virgin Islands, Isle of Man, Canada, the United States, any state of the United States or the District of Columbia and the Successor Company (if not the Issuer) will expressly assume, by supplemental indenture and other appropriate agreements and instruments, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all of the obligations of the Issuer under the Notes and the Indenture;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and such supplemental indenture (if any) comply with the Indenture and such supplemental indenture, if any, and the Notes are enforceable.

This "Merger and consolidation" covenant will not apply to: (a) any consolidation or merger among Guarantors, (b) any consolidation or merger among the Issuer and any Guarantor, *provided that*, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor is an entity organized or existing under the laws of The Republic of Kazakhstan, the British Virgin Islands, the Isle of Man, any member state of the European Union, Switzerland, Canada, the United States, any state of the United States or the District of Columbia and will assume the obligations of the Issuer under the Indenture and the Notes, or (c) any sale, assignment, transfer, conveyance, lease or other disposition of assets among the Issuer and/or the Guarantors, *provided*, *however*, that this "Merger and consolidation" covenant shall apply, if the Issuer so elects, to any sale, assignment, transfer, conveyance, lease or other disposition of all or substantially all of the assets of the Parent to any other Guarantor.

***Substitution***

Prior to the Substitution, the Issuer will not consolidate with or merge with or into (whether or not the Issuer is the surviving corporation), or convey, transfer or lease all or substantially all of its assets in one or more related transactions to, any Person, unless pursuant to a Substitution (as defined below).

The Trustee shall, at Zhaikmunai LLP's written request, without the consent of the holders of Notes, agree to the substitution of Zhaikmunai LLP or its successor in business (the "**Substituted Obligor**") as Issuer under the Indenture and the Notes, *provided that*:

(1) the Substituted Obligor will expressly assume, by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture;

(2) the General Director of the Substituted Obligor certifies that it will be solvent immediately after the Substitution;

(3) each Guarantor (other than the Substituted Obligor) shall have by supplemental indenture confirmed that its Notes Guarantee shall apply to the Substituted Obligor's obligations in respect of the Indenture and the Notes;

(4) the Issuer and the Substituted Obligor shall have delivered to the Trustee satisfactory evidence that the Proceeds Loan shall be assigned or novated to the Substituted Obligor immediately after giving effect to such Substitution;

(5) the Substituted Obligor shall have delivered an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, to the effect that the holders of Notes will not recognize income, gain or loss for United States federal, Kazakh or Dutch income tax purposes as a result of such transaction and will be subject to United States federal, Kazakh and Dutch (or the jurisdiction of organization of any successor company) income tax on the same amounts, in the same manner and at the same times as would have been the case if such transaction had not occurred;

(6) the Substituted Obligor shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that (i) the Substituted Obligor has obtained all governmental and regulatory approvals and consents necessary for its assumption of liability as principal debtor in respect of the Notes in place of the Issuer; (ii) the Parent has

obtained all governmental and regulatory approvals and consents necessary for the Notes Guarantee to be fully effective as described in Clause (3) above; and (iii) such approvals and consents are in full force and effect at the time of Substitution;

(7) the Substitution shall not cause the Substituted Obligor to have the right to redeem any Notes pursuant to the provisions under the caption "—*General—Redemption upon changes in withholding taxes*" immediately following the completion of the Substitution;

(8) immediately after giving effect to such Substitution, no Default shall have occurred and be continuing; and

(9) the Substituted Obligor shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such Substitution and such supplemental indenture comply with the Indenture and such supplemental indenture and the Notes are enforceable.

Upon completion of the Substitution, the Issuer shall be released from all of its obligations under the Notes Documents as Issuer and the Substituted Obligor will succeed to, and be substituted for (so that from and after the date of the Substitution the provisions of the Notes Documents referring to the "Issuer" will refer instead to the Substituted Obligor and not to the Issuer), and may exercise every right and power and shall be bound by every obligation of, the Issuer under the Notes Documents with the same effect as if such Substituted Obligor had been named as the Issuer in the Indenture and the Notes.

***Future subsidiary guarantors***

The Indenture will provide that the Parent will cause each Restricted Subsidiary created or acquired (after the Issue Date) by the Parent or one or more of its Restricted Subsidiaries, to execute and deliver to the Trustee a Notes Guarantee pursuant to which such Restricted Subsidiary will unconditionally Guarantee, on a joint and several basis, the full and prompt payment of the principal of, premium, if any, and interest, if any, on the Notes on a senior basis.

Notwithstanding anything to the contrary, upon completion of the Substitution, Nostrum Oil & Gas Finance B.V. shall execute and deliver to the Trustee a Notes Guarantee pursuant to which it will unconditionally Guarantee, on a joint and several basis, the full and prompt payment of the principal of, premium, if any, and interest, if any, on the Notes on a senior basis.

***Limitation on Line of Business***

The Parent will not, and will not permit any Restricted Subsidiary, to engage in any business other than an Oil and Gas Business (including the financing and refinancing of such activities).

***No amendment to Proceeds Loan prior to the Substitution***

Prior to the Substitution, Nostrum Oil & Gas Finance B.V. will not and the Parent will not, and will not permit any of the Parent's Restricted Subsidiaries or any other Person that is an obligor under the Proceeds Loan, to (1) sell, dispose, encumber, prepay, repay, repurchase, redeem or otherwise acquire, reduce or retire any amounts outstanding under the Proceeds Loan except in connection with (a) the Substitution or (b) a redemption, repayment or repurchase of outstanding Notes in a manner not prohibited by the Indenture or (2) amend, modify, supplement or waive any rights under the Proceeds Loan, except to the extent necessary or advisable in order to achieve registration with the National Bank of Kazakhstan.

***Listing***

The Parent shall use all commercially reasonable efforts to list and maintain the listing of the Notes on the Irish Stock Exchange; *provided that* if the Parent is unable to list the Notes on the Irish Stock Exchange or if maintenance of such listing becomes unduly onerous, it will use all commercially reasonable efforts to list and maintain the listing of the Notes on another recognized stock exchange.

***Payments for consent***

Neither the Parent nor any of its Restricted Subsidiaries will, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fees or otherwise, to any holder of any Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or amendment.

***Events of default***

Each of the following is an Event of Default:

(1) default in any payment of interest on any Note when due, continued for 30 days;

(2) default in the payment of principal of or premium, if any, on any Note when due at its Stated Maturity, upon optional redemption, upon required repurchase, or otherwise;

(3) failure by the Issuer or a Guarantor to comply with its obligations under "—*Certain covenants—Merger and consolidation*" or under "—*Certain covenants—Substitution*;"

(4) failure by the Issuer or a Guarantor to comply for 30 days after notice as provided below with any of its obligations under the covenant described under "*Change of Control*" above or under the covenants described under "*Certain covenants*" above (in each case, other than a failure to purchase Notes which will constitute an Event of Default under Clause (2) above and other than a failure to comply with "—*Certain covenants—Merger and consolidation*" or "—*Certain covenants—Substitution*" which is covered by Clause (3));

(5) failure by the Issuer or a Guarantor to comply for 60 days after notice as provided below with its other agreements contained in the Indenture (other than those covered under Clauses (1), (2), (3) and (4) above);

(6) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness by the Parent or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Parent or any of its Restricted Subsidiaries), whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture, which default:

    (a) is caused by a failure to pay principal of, or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness ("**payment default**"); or

    (b) results in the acceleration of such Indebtedness prior to its maturity (the "**cross acceleration provision**");

    and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates U.S.$10 million or more;

(7) certain events of bankruptcy, insolvency or reorganization of the Issuer, a Guarantor or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Parent and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "**bankruptcy provisions**");

(8) any judgment or decree for the payment of money in excess of U.S.$10 million is entered against the Issuer, any Guarantor, any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Parent and its Restricted Subsidiaries), would constitute a Significant Subsidiary, remains outstanding for a period of 60 consecutive days following such judgment and is not discharged, waived or stayed (the "**judgment default provision**"); or

(9) any Notes Guarantee ceases to be in full force and effect (except as contemplated by the terms of the Indenture) or is declared null and void in a judicial proceeding or any Guarantor denies or disaffirms its obligations under the Indenture or its Notes Guarantee.

However, a default under Clauses (4) and (5) of this paragraph will not constitute an Event of Default until the Trustee or the holders of 25% in principal amount of the outstanding Notes notify the Parent in writing and, in the case of a notice given by the holders, the Trustee of the default and the Parent does not cure such default within the time specified in Clauses (4) and (5) of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in Clause (7) above) occurs and is continuing, the Trustee by notice to the Parent, or the holders of at least 25% in principal amount of the outstanding Notes by notice to the Parent and the Trustee, may, and the Trustee at the request of such holders shall, declare the principal of, premium, if any, accrued and unpaid interest, if any, on all the Notes to be due and payable. If an Event of Default described in Clause (7) above occurs and is continuing, the principal of, premium, if any, accrued and unpaid interest, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holders. The holders of a majority in principal amount of the outstanding Notes may waive all past defaults (except with respect to nonpayment of principal, premium or interest, if any) and rescind any such acceleration with respect to the Notes and its consequences if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction based on an Opinion of Counsel delivered by the Parent to the Trustee, (2) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived and (3) the Parent has paid the Trustee its reasonable compensation and has reimbursed the Trustee for its expenses, disbursements and advances.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders unless such holders have provided to the Trustee indemnity and/or security against any loss, liability or expense satisfactory to the Trustee in its sole discretion. Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such holder has previously given the Trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such holders have provided the Trustee security and/or indemnity satisfactory to the Trustee in its sole discretion against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) the holders of a majority in principal amount of the outstanding Notes have not waived such Event of Default or otherwise given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the holders of a majority in principal amount of the outstanding Notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture will provide that in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

The Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the holders. In addition, the Parent is required to deliver to the Trustee, within 120 days after the end of each fiscal year, a certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Parent also is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events which would constitute certain Defaults, their status and what action the Parent is taking or proposing to take in respect thereof.

***Amendments and waivers***

The Indenture, the Notes and the Notes Guarantees may be amended or supplemented with the consent of the holders of a majority in principal amount of the Notes then outstanding (including without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any past or existing default or compliance with any provisions may be waived with the consent of the holders of a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). However, without the consent of holders holding at least 90% of the principal amount of the Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), no amendment may:

(1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Note;

(3) reduce the principal of or extend the Stated Maturity of any Note;

(4) reduce the premium payable upon the redemption of any Note pursuant to the provisions described under "*—General—Optional redemption*," or change the time at which any Note may be redeemed pursuant to the provisions described under "*—General—Optional redemption*;"

(5) make any Note payable in money other than that stated in the Note;

(6) impair the right of any holder to receive payment of, premium, if any, principal of and interest on such holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's Notes;

(7) make any change in the amendment provisions or the waiver provisions, in each case which require the consent of holders holding at least 90% of the principal amount of the Notes:

(8) release any Notes Guarantees (except in accordance with the terms of the Indenture);

(9) make any change in the provisions of the Indenture described under "*—General—Additional Amounts*" that adversely affects the rights of any holder of Notes or amend the terms of the Notes or the Indenture in a way that would result in the loss of an exemption from any of the Taxes described thereunder; or

(10) make any change to or modify the ranking of the Notes that would adversely affect the holders.

Notwithstanding the foregoing, without the consent of any holder, the Issuer, the Guarantors and the Trustee may amend the Indenture, the Notes and the Notes Guarantees to:

(1) cure any ambiguity, omission, defect, mistake or inconsistency;

(2) provide for the assumption by a successor Person of the obligations of the Parent, the Issuer or any Subsidiary Guarantor under any Notes Document;

(3) add Guarantees with respect to the Notes, including Subsidiary Guarantees, or release a Subsidiary Guarantor from its Subsidiary Guarantee and terminate such Subsidiary Guarantee; *provided that* the release and termination do not violate the Indenture;

(4) provide security for the Notes or the Notes Guarantees;

(5) add to the covenants of the Parent or a Subsidiary Guarantor for the benefit of the holders or surrender any right or power conferred upon the Parent or a Subsidiary Guarantor;

(6) make any change that does not adversely affect the rights of any holder;

(7) comply with any requirement of the SEC in connection with the qualification of the Indenture under the Trust Indenture Act; or

(8) provide for the succession of a successor Trustee;

(9) conform the text of the Indenture or the Notes to any provision of this description of notes; or

(10) provide for the issuance of Additional Notes in accordance with the terms of the Indenture.

In addition, each holder, by accepting a Note, hereby expressly waives and directs the Trustee to amend any and all other provisions of the Indenture or the Notes (other than amendments or waivers that would require the consent of holders holding at least 90% of the principal amount of the Notes, as described above) that would prevent the consummation of the Listing and/or the Reorganization Transactions and expressly acknowledges granting consent to and express authorization of such Listing and/or the Reorganization Transactions notwithstanding any provisions to the contrary in the Indenture or the Notes.

The consent of the holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any holder of Notes given in connection with a tender of such holder's Notes will not be rendered invalid by such tender. After an amendment under the Indenture becomes effective, the Parent is required to mail to the holders a notice briefly describing such amendment. However, the failure to give such notice to all the holders, or any defect in the notice will not impair or affect the validity of the amendment.

***Defeasance***

The Parent and the Issuer at any time may terminate all their respective obligations under the Notes, the Indenture and the Parent's Notes Guarantee ("**legal defeasance**"), except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain a Registrar and Paying Agent in respect of the Notes. If the Parent and the Issuer exercise their legal defeasance option, the Notes Guarantees of the Subsidiary Guarantors in effect at such time will terminate.

The Parent and the Issuer at any time may terminate all of their respective obligations described under "*—General—Change of Control*" and under covenants described under "Certain covenants" (other than Clauses (1), (2), (4) and (5) of the first paragraph and Clauses (1), (2) and (3) of the sixth paragraph under "*—Certain covenants—Merger and consolidation*" and the provisions described under "*—Certain covenants—Substitution*"), the operation of the cross default upon a payment default, cross acceleration provisions, the bankruptcy provisions with respect to Significant Subsidiaries (other than Guarantors), the judgment default provision, and the limitations contained in Clause (3) of the first paragraph under "*—Certain covenants—Merger and consolidation*" above, and the Parent and the other Guarantors may terminate the obligations of such Guarantors to provide the Notes Guarantees, which thereupon shall be automatically released ("**covenant defeasance**").

The Parent and the Issuer may exercise their legal defeasance option notwithstanding the Parent's prior exercise of its covenant defeasance option. If the Parent and the Issuer exercise their legal defeasance option, payment of the Notes may not

be accelerated because of an Event of Default with respect to the Notes. If the Parent exercises its covenant defeasance option, payment of the Notes may not be accelerated because of an Event of Default specified in Clause (4), (5), (6), (7) (with respect only to Significant Subsidiaries other than Guarantors), (8), (9) or (10) under "Events of default" above or because of the failure of the Parent to comply with Clause (3) of the first paragraph under "*—Certain covenants—Merger and consolidation*" above.

In order to exercise either defeasance option, the Parent must, among other things, irrevocably deposit in trust (the "**defeasance trust**") with the Trustee money or U.S. Government Obligations (or a combination thereof) for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of an Opinion of Counsel (subject to customary exceptions and exclusions) to the effect that holders of the Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such deposit and defeasance and will be subject to United States federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred. In the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the Internal Revenue Service or other change in applicable federal income tax law.

### *Satisfaction and discharge*

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when either:

(1) all Notes that have been authenticated (except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Parent and thereafter repaid to the Parent or discharged from such trust) have been delivered to the Trustee for cancellation, or

(2) all Notes that have not been delivered to the Trustee for cancellation have become due and payable or will become due and payable within one year by reason of the giving of a notice of redemption or otherwise and the Parent or any Subsidiary Guarantor has irrevocably deposited or caused to be irrevocably deposited with the Trustee as trust funds in trust solely for such purpose, cash in U.S. dollars, U.S. Government Obligations, or a combination thereof, in such amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the Notes not delivered to the Trustee for cancellation for principal and accrued interest to the date of maturity or redemption, and in each case certain other requirements set forth in the Indenture are satisfied.

### *No personal liability of directors, officers, employees and stockholders*

No member of the Board of Directors of the Parent, officer, employee, director, incorporator, stockholder, member, partner or trustee of the General Partner, the Parent, the Issuer or any Subsidiary Guarantor, as such, shall have any liability for any obligations of the Parent, the Issuer or any Subsidiary Guarantor under the Notes, the Indenture or the Notes Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver and release may not be effective to waive liabilities under U.S. federal or other applicable securities laws.

### *Prescription*

Claims against the Issuer or any Guarantor for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

### *Concerning the Trustee and Certain Agents*

Citibank, N.A., London Branch has been appointed to be the Trustee and the Paying Agent under the Indenture and Citigroup Global Markets Deutschland AG has been appointed as Registrar with regard to the Notes. The Trustee will be permitted to engage in other transactions with the Issuer, Parent, Guarantors and their Affiliates and Subsidiaries; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign as Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability and expense incurred by the Trustee without gross negligence, willful misconduct or bad faith.

### *Notices*

For Notes which are represented by global Notes held on behalf of DTC, Euroclear or Clearstream, notices may be given by delivery of the relevant notices to DTC, Euroclear or Clearstream for communication to entitled account holders.

So long as any Notes are listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, any such notice to the holders of the relevant Notes shall also be published in a newspaper having a general circulation in Ireland (which is expected to be the *Irish Times*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Irish Stock Exchange and, in connection with any redemption, the Issuer will notify the Irish Stock Exchange of any change in the principal amount of Notes outstanding.

### *Governing law*

The Indenture will provide that it, the Notes and the Notes Guarantees will be governed by, and construed in accordance with, the laws of the State of New York. The Proceeds Loan Agreement will be governed by the laws of England.

### *Consent to Jurisdiction and Service of Process*

The Indenture will provide that each of the Issuers and the Guarantors will appoint an agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Notes Guarantees brought in any federal or state court located in the Borough of Manhattan in the City of New York and will submit to such jurisdiction.

### *Enforceability of judgments*

Substantially all of the assets of the Issuer and the Guarantors are outside the United States. As a result, any judgment obtained in the United States against the Issuer or any Guarantor may not be collectable within the United States.

### *Arbitration*

In respect of the Note Guarantee of each of Zhaikmunai LLP and Condensate-Holding LLP (each a "**Kazakh Guarantor**" and together the "**Kazakh Guarantors**"), each such Kazakh Guarantor and the Trustee have irrevocably agreed that any dispute arising out of or connected with such Kazakh Guarantor's Note Guarantee (a "**Dispute**") may be resolved:

(a) subject to the Trustee's option to bring court proceedings as described in the Indenture, by arbitration in London, England, conducted in the English language by three arbitrators, in accordance with the rules of the London Court of International Arbitration (**"LCIA**") **(**the **"LCIA Rules**"), with the exception of Article 6 thereof, which shall not apply, save that the three arbitrators shall be appointed as follows:

    (i) each party shall nominate one arbitrator, and if one party fails to nominate an arbitrator within 30 days of receiving notice of the nomination of an arbitrator by the other party then that arbitrator shall be appointed by the LCIA;

    (ii) the third arbitrator, who shall act as chairman of the tribunal, shall be nominated jointly by the two party-nominated arbitrators. If such arbitrator is not nominated within 30 days of the date of nomination of the later of the two party-nominated arbitrators, he shall be appointed by the LCIA; and

    (iii) each arbitrator shall be and remain independent and impartial of each party; or

(b) at any time before the Trustee has nominated an arbitrator to resolve any Dispute or Disputes pursuant to the terms of the Indenture, the Trustee may, at its sole option, elect by notice in writing to all other parties to such Dispute(s) that such Dispute(s) shall instead be heard by any state or Federal Court in the Borough of Manhattan, New York, New York as specified in the Indenture. Following any such election, no arbitral tribunal shall have jurisdiction in respect of such Dispute(s).

Zhaikmunai LLP irrevocably agrees that after the Substitution takes place any dispute arising out of or connected with its role as the substituted Issuer of the Notes may be resolved under this clause as provided above.

Any Note Guarantee of a Guarantor which is organised under the laws of Kazakhstan and becomes a Guarantor after the date of the Indenture will also include an arbitration provision substantially similar to the foregoing.

### *Certain definitions*

"**Acquired Indebtedness**" means Indebtedness of a Person existing at the time such Person becomes a Guarantor or is merged into or consolidated with the Issuer or any Guarantor, or assumed in connection with the acquisition of assets from any such Person; whether or not such Indebtedness was Incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary or such acquisition, as the case may be.

Acquired Indebtedness will be deemed to be Incurred on the date the acquired Person becomes Guarantor (or is merged into or consolidated with the Issuer or any Guarantor, as the case may be) or the date of the related acquisition of assets from any Person.

"**Additional Assets**" means:

(1) any properties or assets to be used by the Parent or a Restricted Subsidiary in the Oil and Gas Business;

(2) capital expenditures by the Parent or a Restricted Subsidiary in the Oil and Gas Business;

(3) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Parent or a Restricted Subsidiary; or

(4) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary;

*provided, however, that*, in the case of Clauses (3) and (4), such Restricted Subsidiary is primarily engaged in the Oil and Gas Business.

"**Affiliate** " of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. "**Affiliate**" shall also mean any beneficial owner of Capital Stock representing 10% or more of the total voting power of the Voting Stock (on a fully diluted basis) of the Parent or of rights or warrants to purchase such Capital Stock (whether or not currently exercisable).

"**Asset Disposition**" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of the Oil and Gas Business), transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of (A) shares of Capital Stock of a Restricted Subsidiary (other than Preferred Stock of Restricted Subsidiaries issued in compliance with the covenant described under the heading "*—Certain covenants—Limitation on Indebtedness*," and directors' qualifying shares or shares required by applicable law to be held by a Person other than the Parent or a Restricted Subsidiary), (B) all or substantially all the assets of any division or line of business of the Parent or any Restricted Subsidiary or (C) any other assets of the Parent or any Restricted Subsidiary outside of the ordinary course of business of the Parent or such Restricted Subsidiary (each referred to for the purposes of this definition as a "disposition"), in each case by the Parent or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction.

Notwithstanding the preceding, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Parent or by the Parent or a Restricted Subsidiary to a Guarantor or the Issuer;

(2) the sale of cash and Cash Equivalents;

(3) a disposition of Hydrocarbons or mineral products inventory in the ordinary course of business;

(4) a disposition of damaged, unserviceable, obsolete or worn out equipment or equipment that is no longer necessary for the proper conduct of the business of the Parent and its Restricted Subsidiaries and that is disposed of in each case in the ordinary course of business (including the abandonment or other disposition of property that is, in the reasonable judgment of the Parent, no longer economically practicable to maintain or useful in the conduct of the business of the Parent and its Restricted Subsidiaries taken as whole);

(5) transactions in accordance with the covenant described under "*—Certain covenants—Merger and consolidation*;"

(6) an issuance, sale, lease, assignment, conveyance or other disposition of Capital Stock by a Restricted Subsidiary to the Parent or to a Guarantor or the Issuer;

(7) the making of a Restricted Payment (or a disposition that would constitute a Restricted Payment but for the exclusions from the definition thereof) permitted by the covenant described under "*—Certain covenants—Limitation on Restricted Payments*" or a Permitted Investment;

(8) an Asset Swap;

(9) any single disposition or a series of related dispositions of assets with a Fair Market Value of less than U.S.$2 million;

(10) Liens permitted under the Indenture (but not the sale or other disposition of the property subject to such Lien);

(11) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(12) the licensing or sublicensing of intellectual property (including, without limitation, the licensing of seismic data) or other general intangibles in the ordinary course of business which do not materially interfere with the business of the Parent and its Restricted Subsidiaries;

(13) foreclosure on assets;

(14) surrender or waiver of contract rights, oil and gas leases, or the settlement, release or surrender of contract, tort or other claims of any kind;

(15) the sale or transfer (whether or not in the ordinary course of business) of any Oil and Gas Property or interest therein to which no proved reserves are attributable at the time of such sale or transfer; and

(16) the primary issuance of Capital Stock by an Unrestricted Subsidiary so long as the Parent, directly or indirectly, retains a majority interest in such Unrestricted Subsidiary's Capital Stock (including Voting Stock) after giving effect to such issuance.

"**Asset Swap**" means any substantially contemporaneous (and in any event occurring within 90 days of each other) purchase and sale or exchange of any Oil or Gas Properties or assets or interest therein between the Parent or any of its Restricted Subsidiaries and another Person; provided that any cash received must be applied in accordance with "*—Certain covenants—Limitation on sales of assets and Subsidiary stock*" as if the Asset Swap were an Asset Disposition.

" **Attributable Debt**" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate implicit in such lease determination in accordance with GAAP) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended) after excluding from such rental payments all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, and similar charges; *provided*, *however*, *that* if such Sale/Leaseback Transaction results in a Capitalized Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of "Capitalized Lease Obligation."

"**Average Life**" means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing (1) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Indebtedness or Preferred Stock multiplied by the amount of such payment by (2) the sum of all such payments.

"**Board of Directors**" means:

(1) with respect to a corporation, the board of directors (or analogous governing body) of the corporation or any committee thereof duly authorised to act on behalf of such board;

(2) with respect to a partnership, the board of directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members (or analogous governing body) or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"**Business Day**" means each day that is not a Saturday, Sunday or other day on which commercial banking institutions in New York, the United States, London, the United Kingdom, Amsterdam, the Netherlands, Almaty, Kazakhstan or Ireland are authorised or required by law to close.

"**Capital Stock**" of any Person means any and all shares, units, interests (including limited partnership interests and participatory interests), rights to purchase, warrants, options, participation or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"**Capitalized Lease Obligations**" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with GAAP, and the amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined in accordance with GAAP, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty. A Capitalized Lease Obligation will be deemed to be secured by a Lien on the property being leased.

"**Cash Equivalents**" means:

(1) securities issued or directly and fully guaranteed or insured by the Government or any agency or instrumentality of any member state of the European Union, Switzerland, Canada or the United States, (*provided that* the full faith and credit

of such member state of the European Union, Switzerland, Canada or the United States is pledged in support thereof), having maturities of not more than one year from the date of acquisition;

(2) marketable general obligations issued by any member state of the European Union, Switzerland, Canada or the United States or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition (*provided that* the full faith and credit of such member state of the European Union, Switzerland, Canada or the United States is pledged in support thereof) and, at the time of acquisition, having a credit rating of "A" (or the equivalent thereof) or better from either S&P or Moody's;

(3) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits, money market deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any commercial bank the short-term deposit of which is rated at the time of acquisition thereof at least "A2" or the equivalent thereof by S&P, or "P-2" or the equivalent thereof by Moody's, and having combined capital and surplus in excess of U.S.$250.0 million;

(4) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in Clauses (1), (2) and (3) entered into with any bank meeting the qualifications specified in Clause (3) above;

(5) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's, or carrying an equivalent rating by an internationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof; and

(6) interests in any investment company or money market fund which invests 95% or more of its assets in instruments of the type specified in Clauses (1) through (5) above and/or cash.

"**Change of Control**" means the occurrence of any of the following events:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger, consolidation or transfer permitted or not otherwise prohibited under the terms of the Indenture), in one or a series of related transactions, of all or substantially all of the assets of the Parent and its Restricted Subsidiaries, taken as a whole, to any Person (including any "person" (as that term is used in Section 13(d)(3) of the Exchange Act)) other than a Permitted Holder;

(2) any "person" (as that term is used in Section 13(d)(3) of the Exchange Act) other than a Permitted Holder is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that for purposes of this clause (2) such person shall be deemed to have "beneficial ownership" of all securities that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of Voting Stock representing 50% or more of the voting power of the total outstanding Voting Stock of the Parent; or

(3) the adoption by the holders of Capital Stock of the Parent of a voluntary plan relating to the liquidation or dissolution of the Parent.

"**Commodity Agreement**" means, in respect of any Person, any forward contract, commodity swap agreement, commodity option agreement or other similar agreement or arrangement in respect of Hydrocarbons used, produced, processed or sold by such Person that are customary in the Oil and Gas Business and designed to protect such Person against fluctuation in Hydrocarbon prices.

"**Consolidated Coverage Ratio**" means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDAX for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which financial statements are available to (y) Consolidated Interest Expense for such four fiscal quarters, *provided*, *however*, *that*:

(1) if the Parent or any Restricted Subsidiary:

    (a) has Incurred any Indebtedness since the beginning of such period that remains outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Indebtedness, Consolidated EBITDAX and Consolidated Interest Expense for such period will be calculated after giving effect on a pro forma basis (as determined in good faith by the Parent's Chief Financial Officer or a responsible financial or accounting officer of the Parent) to such Indebtedness and the use of proceeds thereof as if such Indebtedness had been Incurred on the first day of such period and such proceeds had been applied as of such date (except that in making such computation, the amount of Indebtedness under any revolving Credit Facility outstanding on the date of such calculation will be deemed to be (i) the average daily balance of such Indebtedness during such four fiscal quarters or such shorter period for which such facility was outstanding or (ii) if such revolving Credit Facility was created after the end of such four fiscal quarters, the

average daily balance of such Indebtedness during the period from the date of creation of such revolving Credit Facility to the date of such calculation, in each case, provided that such average daily balance shall take into account any repayment of Indebtedness under such revolving Credit Facility as provided in Clause (b)); or

(b) has repaid, repurchased, defeased, redeemed or otherwise discharged any Indebtedness since the beginning of the period, including with the proceeds of such new Indebtedness, that is no longer outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio involves a discharge of Indebtedness (in each case other than Indebtedness Incurred under any revolving Credit Facility unless such Indebtedness has been permanently repaid and the related commitment terminated), Consolidated EBITDAX and Consolidated Interest Expense for such period will be calculated after giving effect on a pro forma basis (as determined in good faith by the Parent's Chief Financial Officer or a responsible financial or accounting officer of the Parent) to such discharge of such Indebtedness as if such discharge had occurred on the first day of such period and as if the Parent or such Restricted Subsidiary had not earned the interest income actually earned during such period in respect of cash or Cash Equivalents used to repay, repurchase, defease, redeem or otherwise discharge such Indebtedness;

(2) if, since the beginning of such period, the Parent or any Restricted Subsidiary has made any Asset Disposition or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is such an Asset Disposition, the Consolidated EBITDAX for such period will be reduced by an amount equal to the Consolidated EBITDAX (if positive) directly attributable to the assets which are the subject of such Asset Disposition for such period or increased by an amount equal to the Consolidated EBITDAX (if negative) directly attributable thereto for such period and Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Indebtedness of the Parent or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Parent and its continuing Restricted Subsidiaries in connection with or with the proceeds from such Asset Disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Parent and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale);

(3) if, since the beginning of such period, the Parent or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary or is merged with or into the Parent or a Restricted Subsidiary) or an acquisition (or will have received a contribution) of assets, including any acquisition or contribution of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of a company, division, operating unit, segment, business, group of related assets or line of business, Consolidated EBITDAX and Consolidated Interest Expense for such period will be calculated after giving *pro forma* effect (as determined in good faith by the Parent's Chief Financial Officer or a responsible financial or accounting officer of the Parent) thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition or contribution had occurred on the first day of such period; and

(4) if, since the beginning of such period, any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Parent or any Restricted Subsidiary since the beginning of such period) made any Asset Disposition or any Investment or acquisition of assets that would have required an adjustment pursuant to Clause (2) or (3) above if made by the Parent or a Restricted Subsidiary during such period, Consolidated EBITDAX and Consolidated Interest Expense for such period will be calculated after giving *pro forma* effect (as determined in good faith by the Parent's Chief Financial Officer or a responsible financial or accounting officer of the Parent) thereto (including the Incurrence of any Indebtedness) as if such Asset Disposition or Investment or acquisition of assets had occurred on the first day of such period.

If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness). If any Indebtedness is incurred under a revolving credit facility and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated based on the average daily balance of such Indebtedness for the four fiscal quarters subject to the *pro forma* calculation to the extent that such Indebtedness was incurred solely for working capital purposes.

"**Consolidated EBITDAX**" of the Parent and its Restricted Subsidiaries for any period means the Consolidated Net Income for such period, plus the following, without duplication and to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) Consolidated Income Taxes;

(3) consolidated depletion, amortization and depreciation expense of the Parent and its Restricted Subsidiaries;

(4) other non-cash charges and expenses of the Parent and its Restricted Subsidiaries (excluding any such non-cash charge or expense to the extent it represents an accrual of or reserve for cash charges or expenses in any future period or amortization of a prepaid cash charge or expense that was paid in a prior period not included in the calculation) less all non-cash items increasing such Consolidated Net Income of the Parent and its Restricted Subsidiaries (other than accruals of revenue or the reversal of a reserve for cash charges in a future period by the Parent and its Restricted Subsidiaries in the ordinary course of business); and

(5) consolidated exploration expense of the Parent and its Restricted Subsidiaries, if applicable for such period (determined in accordance with GAAP).

Notwithstanding the preceding sentence, Clauses (2) through (5) relating to amounts of a Restricted Subsidiary of a Person will be added to Consolidated Net Income to compute Consolidated EBITDAX of such Person only to the extent (and in the same proportion) that the net income (loss) of such Restricted Subsidiary was included in calculating the Consolidated Net Income of such Person and only if a corresponding amount would be permitted at the date of determination to be dividended to the Parent by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Restricted Subsidiary or its stockholders.

"**Consolidated Income Taxes**" means, with respect to the Parent and its Restricted Subsidiaries for any period, taxes imposed upon such Person or other payments required to be made by such Person to any governmental authority which taxes or other payments are calculated by reference to the income, profits or capital of such Person or such Person and its Restricted Subsidiaries (to the extent such income or profits were included in computing Consolidated Net Income for such period), regardless of whether such taxes or payments are required to be remitted to any governmental authority.

"**Consolidated Interest Expense**" means, for any period, the total consolidated interest expense of the Parent and its Restricted Subsidiaries, whether paid or accrued, plus, to the extent not included in such interest expense and without duplication:

(1) interest expense attributable to Capitalized Lease Obligations and Attributable Debt and the interest component of any deferred payment obligations;

(2) amortization of debt discount and debt issuance cost;

(3) non-cash interest expense;

(4) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing;

(5) the interest expense on Indebtedness of another Person that is Guaranteed by the Parent or one of its Restricted Subsidiaries or secured by a Lien on assets of the Parent or one of its Restricted Subsidiaries;

(6) costs associated with Interest Rate Agreements (including amortization of fees); *provided, however*, *that* if Interest Rate Agreements result in net benefits rather than costs, such benefits shall be credited to reduce Consolidated Interest Expense unless, pursuant to GAAP, such net benefits are otherwise reflected in Consolidated Net Income;

(7) the consolidated interest expense of the Parent and its Restricted Subsidiaries that was capitalized during such period; and

(8) all dividends (other than dividends payable solely in Capital Stock (other than Disqualified Stock) of the Parent) accrued during such period on any series of Disqualified Stock of the Parent or on Preferred Stock of its Restricted Subsidiaries payable to a party other than the Parent or a Restricted Subsidiary;

*provided that* Consolidated Interest Expense shall include any withholding taxes payable in respect of any of the amounts described in Clauses (1) through (8) of this definition.

"**Consolidated Net Income**" means, for any period, the consolidated net income (loss) of the Parent and its Restricted Subsidiaries determined in accordance with GAAP; *provided*, *however*, *that* there will not be included (to the extent otherwise included therein) in such Consolidated Net Income:

(1) any net income (loss) of any Person (other than the Parent) if such Person is not a Restricted Subsidiary, except that:

  (a) subject to the limitations contained in Clauses (3) and (4) below, the Parent's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Parent or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution to a Restricted Subsidiary, to the limitations contained in Clause (2) below); and

(b) the Parent's equity in a net loss of any such Person for such period will be included in determining such Consolidated Net Income to the extent such loss has been funded from the Parent or a Restricted Subsidiary during such period;

(2) any net income (loss) of any Restricted Subsidiary if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Parent, except that:

(a) subject to the limitations contained in Clauses (3) and (4) below, the Parent's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash that could have been distributed by such Restricted Subsidiary during such period to the Parent or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to another Restricted Subsidiary, to the limitation contained in this Clause); and

(b) the Parent's equity in a net loss of any such Restricted Subsidiary for such period will be included in determining such Consolidated Net Income;

(3) any gain (loss) realized upon the sale or other disposition of any property, plant or equipment of the Parent or its Restricted Subsidiaries (including pursuant to any Sale/Leaseback Transaction) which is not sold or otherwise disposed of in the ordinary course of business and any gain (loss) realized upon the sale or other disposition of any securities;

(4) (a) any extraordinary, exceptional or unusual gain, loss or charge (together with any related provision for taxes on such gain, loss or charge), and (b) any asset impairment writedowns on Oil and Gas Properties under GAAP, or the financial impacts of natural disasters (including fire, flood, storm and related events);

(5) all deferred financing costs written off and premium paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(6) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person;

(7) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(8) the cumulative effect of a change in accounting principles; and

(9) any non-cash compensation charge arising from any grant of stock, stock options or other equity based awards.

"**Credit Facilities**" means one or more debt facilities or arrangements, commercial paper facilities, notes, debentures, indentures, or overdraft facilities with banks or other institutional lenders, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced, in whole or in part from time to time (whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under one or more other credit or other agreements, indentures, financing agreements or otherwise) and, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing. Without limiting the generality of the foregoing, the term "Credit Facilities" shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Parent as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder subject to compliance with the covenant described under "*—Certain covenants—Limitation on Indebtedness*" or (4) otherwise altering the terms and conditions thereof.

"**Currency Agreement**" means in respect of a Person any foreign exchange contract, currency swap agreement, futures contract, option contract or other similar agreement as to which such Person is a party or a beneficiary.

"**Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default.

" **Disqualified Stock**" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder of the Capital Stock) or upon the happening of any event:

(1) matures or is mandatorily redeemable (other than redeemable only for Capital Stock of such Person which is not itself Disqualified Stock) pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Parent or a Restricted Subsidiary); or

(3) is redeemable at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the date that is six months after the earlier of the date (a) of the Stated Maturity of the Notes or (b) on which there are no Notes outstanding; *provided that* only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock; *provided further*, that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Parent to repurchase such Capital Stock upon the occurrence of a change of control or asset disposition (each defined in a substantially identical manner to the corresponding definitions in the Indenture) shall not constitute Disqualified Stock if the terms of such Capital Stock (and all such securities into which it is convertible or for which it is exchangeable) provide that (i) the Parent may not repurchase or redeem any such Capital Stock (and all such securities into which it is convertible or for which it is exchangeable) pursuant to such provision prior to compliance by the Parent with the provisions of the Indenture described under the captions "*—General—Change of Control*" and "*—Certain covenants—Limitation on sales of assets and Subsidiary stock*" and (ii) such repurchase or redemption will be permitted solely to the extent also permitted in accordance with the provisions of the Indenture described under the caption "*—Certain covenants—Limitation on Restricted Payments*."

The amount of any Disqualified Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Stock is to be determined pursuant to the Indenture; *provided*, *however*, *that* if such Disqualified Stock could not be required to be redeemed, repaid or repurchased at the time of such determination, the redemption, repayment or repurchase price will be the book value of such Disqualified Stock as reflected in the most recent financial statements of such Person.

"**Equity Offering**" means a public or private offering for cash by the Parent of Capital Stock (other than Disqualified Stock).

"**European Union**" means the European Union as of 1 January 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which becomes a member of the European Union after 1 January 2004.

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"**Existing Notes**" means the 10.5% Senior Secured Notes due 2015 initially issued by Zhaikmunai Finance B.V. and the 7.125% Senior Notes due 2019 initially issued by Zhaikmunai International B.V.

"**Fair Market Value**" means (unless otherwise provided in the Indenture) the value that would be paid by a willing buyer to an unaffiliated willing seller in an arm's length transaction not involving distress or necessity of either party, determined in good faith by (i) an Officer and certified in an Officer's Certificate, and (ii) with respect to any such transaction (other than any sale or other disposition in the ordinary course of business) involving aggregate consideration in excess of U.S.$10 million, a majority of the members of the Board of Directors of the Parent who are disinterested with respect to the transaction for which Fair Market Value is to be determined have considered and accepted such Officer's Certificate.

"**GAAP**" means International Financial Reporting Standards as issued by the IASB as in effect from time to time. All ratios and computations based on GAAP contained in the Indenture will be computed in conformity with GAAP.

" **General Partner**" means Nostrum Oil & Gas Group Limited, a limited company incorporated in the Isle of Man, with company registration number 121213C, having its registered office at 7th Floor Harbour Court Lord Street, Douglas, Isle of Man IM1 4LN and its principal place of business at Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands and any replacement general partner of the Parent so long as the sole member of such successor entity is a Permitted Holder.

" **GTU 2**" means the additional gas treatment facility to be constructed following the first gas treatment facility.

"**Guarantee**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise); or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

*provided*, *however, that* the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business or any obligation to the extent it is payable only in Capital Stock of the Guarantor that is not Disqualified Stock. The term "Guarantee" used as a verb has a corresponding meaning.

"**Guarantor Subordinated Obligation**" means, with respect to a Guarantor, any Indebtedness of such Guarantor (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinate in right of payment to the obligations of such Guarantor under its Notes Guarantee pursuant to a written agreement.

"**Guarantors**" means the Parent and the Subsidiary Guarantors.

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Agreement.

"**holder**" means a Person in whose name a Note is registered on the registrar's books.

"**Hydrocarbons**" means oil, natural gas, casing head gas, drip gasoline, natural gasoline, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons and all constituents, elements or compounds thereof and products refined or processed therefrom.

"**Incur**" means issue, create, assume, Guarantee, incur or otherwise become directly or indirectly liable for, contingently or otherwise; *provided*, *however*, *that* any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary; and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing.

"**Indebtedness**" means, with respect to any Person on any date of determination (without duplication, whether or not contingent):

(1) the principal of and premium (if any) in respect of indebtedness of such Person for borrowed money;

(2) the principal of and premium (if any) in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) the principal component of all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (including reimbursement obligations with respect thereto except to the extent such reimbursement obligation relates to a trade payable, to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such obligation is satisfied within 30 days of payment on the letter of credit);

(4) the principal component of all obligations of such Person (other than obligations payable solely in Capital Stock that is not Disqualified Stock) to pay the deferred and unpaid purchase price of property (except as described in Clause (3) of the last paragraph of this definition of Indebtedness), which purchase price is due more than six months after such property is acquired, of such Person in accordance with GAAP;

(5) Capitalized Lease Obligations of such Person and all Attributable Debt in respect of Sale/Leaseback Transactions entered into by such Person;

(6) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Subsidiary of the Parent, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided*, *however*, *that* the amount of such Indebtedness will be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness of such other Persons;

(8) the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Obligations (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time),

if and to the extent any of the preceding items (other than Indebtedness described in Clauses (3), (6), (7) and (8) above) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with GAAP; *provided*, *however*, *that* any Indebtedness which has been defeased pursuant to the deposit of cash or Cash Equivalents (in an amount sufficient to satisfy all such indebtedness obligations at maturity or redemption, as

applicable, and all payments of interest and premium, if any) in a trust or account created or pledged for the sole benefit of the holders of such indebtedness, and subject to no other Liens, shall not constitute "Indebtedness."

The amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

Notwithstanding the preceding, "**Indebtedness**" shall not include:

(1) any obligation arising from the honouring by a bank or other financial institution of a check, draft or similar instrument (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business, *provided that* such Indebtedness is extinguished within five Business Days of Incurrence;

(2) in-kind obligations relating to net oil or natural gas balancing positions arising in the ordinary course of business;

(3) accrued expenses and trade payables and other accrued liabilities arising in the ordinary course of business unless they are overdue by 90 days or more past the date for payment (other than those that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted); and

(4) any lease of property which would be considered an operating lease under GAAP.

"**Independent Financial Advisor**" means an investment banking firm, bank, accounting firm or third-party appraiser, in any such case, of international standing; *provided that* such firm is not an Affiliate of the Parent.

"**Interest Rate Agreement**" means with respect to any Person any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or a beneficiary.

"**Investment**" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (including by way of Guarantee or similar arrangement, but excluding any debt or extension of credit represented by a bank deposit (other than a time deposit) and advances or extensions of credit to customers in the ordinary course of business) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments (excluding any interest in a crude oil or natural gas leasehold to the extent constituting a security under applicable law) issued or Incurred by, such other Person and all other items that are or would be classified as investments on a balance sheet (excluding the footnotes thereto) prepared in accordance with GAAP.

If the Parent or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Parent or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time. The acquisition by the Parent or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Parent or such Restricted Subsidiary in such third Person at such time. Except as otherwise provided for herein, the amount of an Investment shall be its Fair Market Value at the time the Investment is made and without giving effect to subsequent changes in value.

For purposes of the definition of "**Unrestricted Subsidiary**" and the covenant described under "Certain covenants—Limitation on Restricted Payments,"

(1) "Investment" will include the portion (proportionate to the Parent's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the Fair Market Value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, *that* upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Parent will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Parent's "Investment" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Parent's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time that such Subsidiary is so redesignated as a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its Fair Market Value at the time of such transfer.

"**Issue Date**" means the first date on which Notes are issued.

"**Lien**" means, with respect to any asset, any mortgage, lien (statutory or otherwise), pledge, hypothecation, charge, security interest, preference, priority or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"**Listing**" means a listing of all or a portion of the Parent's Capital Stock (or all or a portion of the Capital Stock of a new (direct or indirect) holding company of Zhaikmunai LLP) on either the London Stock Exchange plc or another recognized stock exchange (which may be an unregulated market for purposes of European Union legislation) or alternatively, the listing of the Parent's global depositary receipts on another recognized stock exchange.

"**Moody's** " means Moody's Investors Service, Inc., or any successor to the rating agency business thereof.

"**Net Available Cash**" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or instalment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability under GAAP (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders in Subsidiaries or to holders of royalty or similar interests as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts to be provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Parent or any Restricted Subsidiary after such Asset Disposition.

"**Net Cash Proceeds**," with respect to any issuance or sale of Capital Stock or any contribution to equity capital, means the cash proceeds of such issuance, sale or contribution net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance, sale or contribution and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

" **Non-Recourse Debt**" means Indebtedness of a Person:

(1) as to which neither the Parent nor any Restricted Subsidiary (a) provides any Guarantee or credit support of any kind (including any undertaking, guarantee, indemnity, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable (as a guarantor or otherwise);

(2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Parent or any Restricted Subsidiary to declare a default under such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and

(3) the explicit terms of which provide there is no recourse against any of the assets of the Parent or its Restricted Subsidiaries.

"**Notes Discharge Date**" means the date upon which all outstanding obligations of the Issuer and the Guarantors under the Notes are discharged pursuant to the terms of the Indenture.

"**Notes Documents**" means the Notes, the Indenture and the Proceeds Loan Agreement.

"**Notes Guarantee**" means, individually, any Guarantee of payment of the Notes by a Guarantor pursuant to the terms of the Indenture and any supplemental indenture thereto, and, collectively, all such Guarantees. Each such Guarantee will be in the form prescribed by the Indenture.

"**Officer**" means the Chairman of the Board of Directors of the Parent or the Chief Executive Officer, the Chief Operating Officer, the Deputy Chief Executive Officer, the Chief Financial Officer or the Group General Counsel of the Parent.

"**Officer's Certificate**" means a certificate signed by an Officer of the Parent.

"**Oil and Gas Business**" means:

(1) the business of acquiring, exploring, exploiting, developing, producing, operating and disposing of interests in oil, natural gas, liquid natural gas and other Hydrocarbon and mineral properties or products produced in association with any of the foregoing;

(2) the business of gathering, marketing, distributing, treating, processing, storing, refining, selling and transporting (including by railcars or pipelines) of any production from such interests or properties and products produced in association therewith and the marketing of oil, natural gas, other Hydrocarbons and minerals obtained from unrelated Persons;

(3) any other related energy business, including power generation and electrical transmission business, directly or indirectly, from oil, natural gas and other Hydrocarbons and minerals produced substantially from properties in which the Parent or its Restricted Subsidiaries, directly or indirectly, participates;

(4) any business relating to oil field sales and service; and

(5) any business or activity relating to, arising from, or necessary, appropriate or incidental to the activities described in the foregoing Clauses (1) through (4) of this definition.

"**Oil and Gas Properties**" means all properties, including equity or other ownership interests therein, owned by or licensed to a Person so that such Person can explore and/or exploit them, which contain or are believed to contain oil and gas reserves and all wells, oil or gas treatment facilities, oil or gas transportation and other related assets.

"**Opinion of Counsel**" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Parent or the Trustee.

"**Pari Passu Indebtedness**" means Indebtedness that ranks equally in right of payment to the Notes or the Notes Guarantees.

"**Permitted Business Investment**" means any Investment made in the ordinary course of, and of a nature that is or shall have become customary in, the Oil and Gas Business including investments or expenditures for actively exploiting, exploring for, acquiring, developing, producing, processing, gathering, marketing or transporting oil, natural gas or other Hydrocarbons and minerals through agreements, transactions, interests or arrangements which permit one to share risks or costs, comply with regulatory requirements regarding local ownership or satisfy other objectives customarily achieved through the conduct of the Oil and Gas Business jointly with third parties including:

(1) ownership interests in oil, natural gas, other Hydrocarbons and minerals properties, liquid natural gas facilities, processing facilities, gathering systems, pipelines, storage facilities or related systems or ancillary real property interests;

(2) Investments in the form of or pursuant to operating agreements, working interests, royalty interests, mineral leases, processing agreements, contracts for the sale, transportation or exchange of oil, natural gas, other Hydrocarbons and minerals, production sharing agreements, participation agreements, development agreements, area of mutual interest agreements, unitization agreements, pooling agreements, joint bidding agreements, service contracts, joint venture agreements, partnership agreements (whether general or limited), subscription agreements, stock purchase agreements, stockholder agreements and other similar agreements (including for limited liability companies) with third parties (including Unrestricted Subsidiaries); and

(3) direct or indirect ownership interests in drilling rigs and related equipment, including, without limitation, transportation equipment.

"**Permitted Holder**" means Frank Monstrey and any of his Related Parties. Any person whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made and settled in accordance with the requirements of the Indenture will thereafter, together with its Related Parties, constitute an additional Permitted Holder.

"**Permitted Investment**" means an Investment by the Parent or any Restricted Subsidiary in:

(1) the Issuer, the Parent, or a Guarantor;

(2) another Person whose primary business is the Oil and Gas Business if as a result of such Investment such other Person becomes a Guarantor or is merged or consolidated with or into, or transfers or conveys all or substantially all its assets

to, the Issuer or a Guarantor and, in each case, any Investment held by such Person; *provided that* such Investment was not acquired by such Person in contemplation of such acquisition, merger, consolidation or transfer;

(3) cash and Cash Equivalents;

(4) receivables owing to the Parent or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided*, *however*, *that* such trade terms may include such concessionary trade terms as the Parent or any such Restricted Subsidiary deems reasonable under the circumstances;

(5) payroll, commission, travel, relocation and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) loans or advances to employees or officers of the Parent or any Restricted Subsidiary or members of the Board of Directors of the Parent or any of the Restricted Subsidiaries not to exceed U.S.$5 million in the aggregate outstanding at any time;

(7) Capital Stock, obligations or securities received in settlement of debts (x) created in the ordinary course of business and owing to the Parent or any Restricted Subsidiary or in satisfaction of judgments or (y) pursuant to any plan of reorganization or similar arrangement in a bankruptcy or insolvency proceeding;

(8) Investments made as a result of the receipt of non-cash consideration from an Asset Disposition that was made pursuant to and in compliance with the covenant described under "*—Certain covenants—Limitation on sales of assets and Subsidiary stock*;"

(9) Investments in existence on the Issue Date;

(10) Investments represented by Hedging Obligations that are not incurred for speculative purposes;

(11) Guarantees issued in accordance with the covenant described under "*—Certain covenants—Limitation on Indebtedness*;"

(12) Permitted Business Investments;

(13) any Person where such Investment was acquired by the Parent or any of its Restricted Subsidiaries (a) in exchange for any other Investment or accounts receivable held by the Parent or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other Investment or accounts receivable or (b) as a result of a foreclosure by the Parent or any of its Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(14) any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business by the Parent or any Restricted Subsidiary;

(15) Guarantees of performance or other obligations (other than Indebtedness) arising in the ordinary course in the Oil and Gas Business, including obligations under oil and natural gas exploration, development, joint operating, and related agreements and licenses, concessions or operating leases related to the Oil and Gas Business;

(16) acquisitions of assets, Capital Stock or other securities by the Parent or a Restricted Subsidiary for consideration consisting of Capital Stock (other than Disqualified Stock) of the Parent;

(17) Investments in or purchases or repurchases of (a) the Notes or (b) in connection with the Substitution, by Zhaikmunai LLP, the Proceeds Loan;

(18) advances to or reimbursements of employees for moving, entertainment and travel expenses, drawing accounts and similar expenditures in the ordinary course of business of the Parent or any of its Restricted Subsidiaries or the General Partner; and

(19) Investments by the Parent or any of its Restricted Subsidiaries, together with all other Investments pursuant to this Clause (19), in an aggregate amount outstanding at the time of such Investment not to exceed U.S.$10 million; *provided that* if an Investment is made pursuant to this Clause (19) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the definition of "**Unrestricted Subsidiary**," such Investment, if applicable, shall thereafter be deemed to have been made pursuant to Clause (2) of this definition of "**Permitted Investment**" and not this Clause.

"**Permitted Liens**" means, with respect to any Person:

(1) pledges or deposits by such Person under workmen's compensation laws, unemployment insurance laws, social security or old age pension laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts

(other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits (which may be secured by a Lien) to secure public or statutory obligations of such Person including letters of credit and bank guarantees required or requested by any government or any subdivision, department, agency, organization or instrumentality of any of the foregoing in connection with any contract or statute (including lessee or operator obligations under statutes, governmental regulations, contracts or instruments related to the ownership, exploration and production of oil, natural gas, other hydrocarbons and minerals), or deposits of cash or Cash Equivalents to secure indemnity performance or rehabilitation obligations, surety or appeal bonds or other similar bonds to which such Person is a party, or deposits as security for contested taxes or import or customs duties or for the payment of rent, in each case Incurred in the ordinary course of business;

(2) statutory and contractual Liens of landlords and Liens imposed by law, including carriers', warehousemen's, mechanics', materialmen's and repairmen's Liens, in each case for sums not yet delinquent or being contested in good faith by appropriate proceedings if a reserve or other appropriate provisions, if any, as shall be required by GAAP shall have been made in respect thereof;

(3) Liens for taxes, assessments or other governmental charges or claims not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided that* appropriate reserves, if any, required pursuant to GAAP have been made in respect thereof;

(4) Liens in favour of issuers of surety or performance bonds or letters of credit or bankers' acceptances issued pursuant to the request of and for the account of such Person in the ordinary course of its business; *provided*, *however*, *that* such letters of credit do not constitute Indebtedness;

(5) survey exceptions, encumbrances, ground leases, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including, without limitation, minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which do not in the aggregate materially adversely affect the value of the assets of such Person and its Restricted Subsidiaries, taken as a whole, or materially impair their use in the operation of the business of such Person and its Restricted Subsidiaries, taken as a whole;

(6) Liens securing Hedging Obligations not incurred for speculative purposes;

(7) leases, licenses, subleases and sublicenses of assets (including, without limitation, real property and intellectual property rights) which are in the ordinary course of business of the Parent or any of its Restricted Subsidiaries;

(8) prejudgment Liens and judgment Liens not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(9) Liens for the purpose of securing the payment of all or a part of the purchase price of, or Capitalized Lease Obligations, purchase money obligations or other payments Incurred to finance the acquisition, lease, improvement or construction of or repairs or additions to, assets or property acquired or constructed in the ordinary course of business; *provided that*:

    (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture and does not exceed the cost of the assets or property that are the subject of such acquisition, lease, completion of improvements, construction, repairs or additions; and

    (b) such Liens are created not later than 90 days after the later of the acquisition, lease, completion of improvements, construction, repairs or additions or commencement of full operation of the assets or property subject to such Lien and do not encumber any other assets or property of the Parent or any Restricted Subsidiary other than such assets or property and assets affixed or appurtenant thereto;

(10) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of netting or set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary institution; *provided that*:

    (a) such deposit account is not a dedicated cash collateral account; and

    (b) such deposit account is not intended by the Parent or any Restricted Subsidiary to provide collateral to the depository institution;

(11) Liens arising from statutory filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Parent and its Restricted Subsidiaries in the ordinary course of business;

(12) Liens existing on the Issue Date;

(13) Liens on property or shares of Capital Stock of another Person at the time such other Person becomes a Subsidiary of such Person; *provided*, *however*, *that* such Liens are not created or Incurred in connection with, or in contemplation of, such other Person becoming a Subsidiary; *provided further, however*, that any such Lien may not extend to any other property owned by the Parent or any Restricted Subsidiary (other than assets or property affixed or appurtenant thereto);

(14) Liens on property at the time the Parent or any of its Subsidiaries acquired the property, including any acquisition by means of a merger or consolidation with or into the Parent or any of its Subsidiaries; *provided*, *however*, *that* such Liens are not created or Incurred in connection with, or in contemplation of, such acquisition; *provided further, however*, that such Liens may not extend to any other property owned by the Parent or any Restricted Subsidiary (other than assets or property affixed or appurtenant thereto);

(15) Liens securing Indebtedness or other obligations of a Restricted Subsidiary owing to the Parent or a Guarantor;

(16) Liens securing the Notes, Notes Guarantees and other obligations under the Indenture;

(17) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, *provided that* any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property or assets that is the security for a Permitted Lien hereunder;

(18) Liens that arise by operation of law or are required by law;

(19) Liens securing Indebtedness in an aggregate principal amount outstanding at any one time, added together with all other Indebtedness secured by Liens Incurred pursuant to this Clause (19), not to exceed U.S.$5 million;

(20) Liens in favour of the Parent or any Restricted Subsidiary;

(21) deposits made in the ordinary course of business to secure liability to insurance carriers;

(22) Liens in favour of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods in the ordinary course of business;

(23) Liens deemed to exist in connection with Investments in repurchase agreements permitted under "*—Certain covenants—Limitation on Indebtedness*;" *provided that* such Liens do not extend to any assets other than those that are the subject of such repurchase agreement;

(24) Liens encumbering reasonable customary initial deposits and margin deposits and similar Liens attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business and not for speculative purposes;

(25) any (a) interest or title of a lessor or sublessor under any lease, liens reserved in oil, gas or other Hydrocarbons, minerals, leases for bonus, royalty or rental payments and for compliance with the terms of such leases; (b) restriction or encumbrance that the interest or title of such lessor or sublessor may be subject to (including, without limitation, ground leases or other prior leases of the demised premises, mortgages, mechanics' liens, tax liens, and easements); or (c) subordination of the interest of the lessee or sublessee under such lease to any restrictions or encumbrance referred to in the preceding Clause (b);

(26) Liens (other than Liens securing Indebtedness) on, or related to, assets to secure all or part of the costs incurred in the ordinary course of the Oil and Gas Business for the exploration, drilling, development, production, processing, transportation, marketing, storage or operation thereof;

(27) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(28) Liens on property or assets under construction (and related rights) in favour of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets in each case relating to obligations other than Indebtedness;

(29) Liens to secure the performance of statutory obligations, trade contracts, insurance, surety or appeal bonds, workers compensation obligations, and pension obligations, performance bonds or other obligations of a like nature incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);

(30) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Parent or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 5.0% of the net proceeds of such disposal;

(31) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(32) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business or for its trading activities on the counterparty's standard or usual terms;

(33) Liens for the purpose of securing the payment of all or a part of the purchase price of, or Capitalized Lease Obligations, purchase money obligations or other Indebtedness or other payments, in each case, Incurred to finance the acquisition, lease, improvement or construction of or repairs or additions to GTU 2; *provided that*:

(a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the first paragraph of the covenant described under "Certain covenants—Limitation on Indebtedness" and does not exceed the cost of GTU 2;

(b) neither the Parent nor any Restricted Subsidiary of the Parent provides any Guarantee or credit support of any kind (including any undertaking, guarantee, indemnity, agreement or instrument that would constitute Indebtedness) of, or is directly or indirectly liable (as a guarantor or otherwise) for, any of the Indebtedness secured by such Liens;

(c) the explicit terms of the Indebtedness secured by such Liens provide there is no recourse against any of the assets of the Parent or its Restricted Subsidiaries (other than GTU 2 and any assets affixed or appurtenant thereto and any Hydrocarbons produced thereby); and

(d) such Liens are created not later than 90 days after the later of the acquisition, lease, completion of improvements, construction, repairs or additions or commencement of full operation of GTU 2 and do not encumber any other assets or property of the Parent or any Restricted Subsidiary (other than GTU 2 and any assets affixed or appurtenant thereto and any Hydrocarbons produced thereby); and

(34) Liens securing Indebtedness represented by (i) Credit Facilities for the purpose of pre-funding identified export volumes which provide the sole collateral securing such Indebtedness and/or (ii) trade finance Credit Facilities for the purpose of buying, selling and/or trading crude oil, gas and oil products, *provided that*, in the case of (ii), the final maturity date of each loan under any such facility shall not be more than 180 days after the date such loan was borrowed and *provided further* that, in the case of (i) and (ii), the aggregate principal amount at any time outstanding of Indebtedness that is secured by such Liens shall not exceed U.S.$50 million.

In each case set forth above, notwithstanding any stated limitation on the assets that may be subject to such Lien, a Permitted Lien on a specified asset or group or type of assets may include Liens on all improvements, additions and accessions thereto and all products and proceeds thereof (including dividends, distributions and increases in respect thereof).

"**Person**" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"**Preferred Stock**," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such Person.

"**Proceeds Loan**" means the loan from the Issuer to Zhaikmunai LLP in the principal amount equal to the gross proceeds from the Notes.

"**Proceeds Loan Agreement**" means the note proceeds loan agreement dated the Issue Date between the Issuer, as lender, and Zhaikmunai LLP, as borrower, relating to the Proceeds Loan.

"**Refinancing Indebtedness**" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay, extend, prepay, redeem or retire (including pursuant to any defeasance or discharge mechanism) (collectively, "refinance," "refinances" and "refinanced" shall have correlative meanings) any Indebtedness (excluding Indebtedness of a Restricted Subsidiary that is not a Guarantor or the Issuer that refinances Indebtedness of the Issuer or a Guarantor), including Indebtedness that refinances Refinancing Indebtedness, *provided*, *however*, *that*:

(1) (a) if the Stated Maturity of the Indebtedness being Refinanced is earlier than the Stated Maturity of the Notes, the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being refinanced or (b) if the Stated Maturity of the Indebtedness being refinanced is later than the Stated Maturity of the Notes, the Refinancing Indebtedness has a Stated Maturity at least six months later than the Stated Maturity of the Notes;

(2) the Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being refinanced;

(3) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest, premiums or defeasance costs required by the instruments governing such existing Indebtedness that is being refinanced and fees and expenses Incurred in connection therewith); and

(4) if the Indebtedness being Refinanced is subordinated in right of payment to the Notes or the Notes Guarantee, such Refinancing Indebtedness is subordinated in right of payment to the Notes or the Notes Guarantee on terms at least as favourable to the holders as those contained in the documentation governing the Indebtedness being Refinanced.

"**Related Parties**" means, with respect to any Person:

(1) the spouse of such Person; or

(2) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, shareholders, partners, members, owners or Persons directly or indirectly beneficially holding 50.1% or more of the Capital Stock (including Voting Stock) of which consist solely of such Person and/or such other Persons referred to in the immediately preceding Clause (1).

"**Reorganization Transactions**" means one or more of:

(1) an intra-group transaction, which would require one or more of the following steps:

(a) the incorporation of a new (direct or indirect) holding company of Zhaikmunai LLP ("**NewCo**") as a Subsidiary of the Parent;

(b) the transfer of substantially all of the assets of the Parent to NewCo;

(c) the accession by NewCo as a successor to the Parent under the Indenture;

(d) the distribution or transfer by the former Parent of the equity securities of NewCo to existing holders of Common Units of the former Parent;

(e) the listing of the equity securities of NewCo on a recognized stock exchange;

(f) the cancellation of the listing of the global depositary receipts of the former Parent; and

(g) the dissolution of the former Parent and the General Partner;

(2) a tender offer transaction, which would require one or more of the following steps:

(a) the incorporation of NewCo as a Subsidiary of the Permitted Holder;

(b) the making of a tender offer by NewCo for all of the existing global depositary receipts and Common Units in the Parent (and the shares in the General Partner) in exchange for the issue of new equity securities in NewCo;

(c) the listing of the equity securities of NewCo on a recognized stock exchange;

(d) the transfer of substantially all of the assets of the Parent to NewCo;

(e) the accession by NewCo as a successor to the Parent under the Indenture; and

(f) the dissolution or liquidation of the former Parent and the General Partner; or

(3) an alternative reorganization transaction, which comprises any other corporate reorganization or restructuring of the Parent, the General Partner, Zhaikmunai LLP and the other Guarantors as would result in NewCo becoming the new holding company of Zhaikmunai LLP with its equity securities listed on a recognized stock exchange in substitution of the listing of global depositary receipts of the Parent on the London Stock Exchange, the transfer of substantially all of the assets of the Parent to NewCo and the accession by NewCo as a successor to the Parent under the Indenture.

"**Restricted Investment**" means any Investment other than a Permitted Investment.

"**Restricted Subsidiary**" means any Subsidiary of the Parent other than an Unrestricted Subsidiary.

"**S&P**" means Standard & Poor's Rating Service, a division of The McGraw-Hill Companies, Inc., or any successor to the rating agency business thereof.

“**Sale/Leaseback Transaction**” means an arrangement relating to property now owned or hereafter acquired by the Parent or a Restricted Subsidiary whereby the Parent or a Restricted Subsidiary transfers such property to a Person and the Parent or a Restricted Subsidiary leases it from such Person.

“**SEC**” means the United States Securities and Exchange Commission.

“**Securities Act**” means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

“**Significant Subsidiary**” means any Restricted Subsidiary that would be a “Significant Subsidiary” of the Parent within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC, as in effect on the Issue Date and in any event shall include the Guarantors.

“**Stated Maturity**” means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

“**Subordinated Obligation**” means any Indebtedness of the Issuer (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinate in right of payment to the Notes pursuant to a written agreement.

“**Subsidiary**” of any Person means (a) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or Persons performing similar functions) or (b) any partnership, joint venture, limited liability company or similar entity of which more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, is, in the case of Clauses (a) and (b), at the time owned or controlled, directly or indirectly, by (1) such Person, (2) such Person and one or more Subsidiaries of such Person or (3) one or more Subsidiaries of such Person. Unless otherwise specified herein, each reference to a Subsidiary (other than in this definition) will refer to a Subsidiary of the Parent.

“**Subsidiary Guarantors**” means Zhaikmunai Netherlands B.V., Claydon Industrial Limited, Jubilata Investments Limited, Condensate-Holding LLP, Zhaikmunai Finance B.V., Zhaikmunai International B.V., Zhaikmunai LLP, Nostrum Oil Coöperatief U.A., Probel Capital Management UK Limited and Probel Capital Management N.V. and any other Restricted Subsidiary of the Parent providing a Notes Guarantee pursuant to the covenant described under “*—Certain covenants—Future subsidiary guarantors*” or “*—Certain covenants—Substitution*.”

“**Total Net Assets**” means the consolidated total net assets of the Parent and its Restricted Subsidiaries as shown on the most recent consolidated balance sheet (excluding the footnotes thereto) of the Parent.

“**Unrestricted Subsidiary**” means:

(1) any Subsidiary of the Parent that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Parent in the manner provided below; and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Parent may designate any Subsidiary of the Parent (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger or consolidation or Investment therein) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of or have any Investment in, or own or hold any Lien on any property of, any other Subsidiary of the Parent which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary;

(2) all the Indebtedness of such Subsidiary and its Subsidiaries shall, at the date of designation, and will at all times thereafter, consist of Non-Recourse Debt;

(3) on the date of such designation, such designation and the Investment of the Parent or a Restricted Subsidiary in such Subsidiary complies with “*—Certain covenants—Limitation on Restricted Payments*;”

(4) such Subsidiary is a Person with respect to which neither the Parent nor any of its Restricted Subsidiaries has any direct or indirect obligation:

    (a) to subscribe for additional Capital Stock of such Person; or

(b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(5) on the date such Subsidiary is designated an Unrestricted Subsidiary, such Subsidiary is not a party to any agreement, contract, arrangement or understanding with the Parent or any Restricted Subsidiary with terms substantially less favourable to the Parent than those that might have been obtained from Persons who are not Affiliates of the Parent.

Notwithstanding anything else to the contrary, neither the Issuer (or any successor of the Issuer) nor Zhaikmunai LLP shall be designated as Unrestricted Subsidiaries.

Any such designation by the Board of Directors of the Parent shall be evidenced to the Trustee by filing with the Trustee a resolution of the Board of Directors of the Parent giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions. If, at any time, any Unrestricted Subsidiary would fail to meet the foregoing requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary shall be deemed to be Incurred as of such date.

The Board of Directors of the Parent may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided that* immediately after giving effect to such designation, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof and the Parent could Incur at least U.S.$1.00 of additional Indebtedness under the first paragraph of the covenant described under "Certain covenants—Limitation on Indebtedness" on a pro forma basis taking into account such designation.

"**Voting Stock**" of an entity means all classes of Capital Stock of such entity then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of members of such entity's Board of Directors.

"**Wholly-Owned Subsidiary**" means a Restricted Subsidiary, all of the Capital Stock of which (other than directors' qualifying shares or Capital Stock of Restricted Subsidiaries required to be owned by third parties pursuant to applicable law) is owned by the Parent or another Wholly-Owned Subsidiary.

## BOOK-ENTRY, DELIVERY AND FORM

### General

The Notes will initially be represented by two Notes in global form that together will represent the aggregate principal amount of the Notes (in the case of the Notes sold in reliance on Rule 144A under the Securities Act, the "**Rule 144A Global Note**" and, in the case of the Notes sold in reliance on Regulation S under the Securities Act, the "**Regulation S Global Note**"). When issued, the Rule 144A Global Note and the Regulation S Global Note (together, the "**Global Notes**") will be deposited with the Trustee and registered in the name of Cede & Co., as the nominee for the DTC. Except as set forth below, record ownership of the Global Note may be transferred, in whole or in part, only to another nominee of DTC or to a successor of DTC or its nominee.

The Notes will be issued only in registered form and in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes will be issued on the issue date only against payment in immediately available funds.

Investors who are qualified institutional buyers (as defined in Rule 144A under the Securities Act), and who purchase Notes in reliance on Rule 144A under the Securities Act may hold their interests in the Rule 144A Global Note directly through DTC if they are DTC participants (the "**Participants**") or indirectly through organisations that are DTC participants ("**Indirect Participants**").

Investors who purchase Notes in offshore transactions in reliance on Regulation S under the Securities Act may hold their interests in the Regulation S Global Note directly through Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**"), or Clearstream Banking, *societé anonyme* ("**Clearstream Banking**"), if they are participants in these systems, or indirectly through organisations that are participants in these systems. Investors may also hold interests in the Regulation S Global Note through Participants in the DTC system other than Euroclear and Clearstream Banking. Euroclear and Clearstream Banking will hold interests in the Regulation S Global Note on behalf of their participants through their respective depositaries, which in turn will hold the interests in the Regulation S Global Note in customers' securities accounts in the depositaries' names on the books of DTC.

Beneficial interests in the Rule 144A Global Note may be exchanged for beneficial interests in the Regulation S Global Note in the circumstances described below. See "*—Depository Procedures—Exchanges Between the Global Notes*". In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its Participants or its Indirect Participants (including, if applicable, those of Euroclear and Clearstream Banking), which may change from time to time.

So long as Cede & Co., as the nominee of DTC, is the registered owner of a Global Note, Cede & Co. for all purposes (except with respect to the determination of Additional Amounts payable) will be considered the sole holder of that Global Note. Owners of beneficial interests in a Global Note will be entitled to have certificates registered in their names and to receive physical delivery of Notes only in the limited circumstances described below under "*—Depositary Procedures*" and "*—Exchange of Global Notes for Definitive Notes*".

The Notes will be subject to certain transfer restrictions and restrictive legends as described under "Notice to Prospective Investors" and "*Transfer Restrictions*".

### Depository Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream Banking is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them from time to time. Neither us nor any of the Guarantors take any responsibility for these operations and procedures and we and the Guarantors urge investors to contact the systems or their participants directly to discuss these matters.

Upon deposit of the Global Notes, DTC will credit the accounts of Participants designated by the Initial Purchasers with portions of the principal amount of the Global Notes.

Payment of principal of and premium and interest, if any, on a Global Note will be made to Cede & Co., the nominee for DTC, as registered owner of the Global Note, by wire transfer of immediately available funds on the applicable payment date. Neither us, the Guarantors, the Trustee, nor any agent of any of us, will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interest.

We have been informed by DTC that, with respect to any payment of principal of, or premium or interest, if any, on a Global Note, DTC's practice is to credit Participants' accounts on the applicable payment date, with payments in amounts proportionate to their respective beneficial interests in the Notes represented by the Global Note as shown on the records of DTC, unless DTC has reason to believe that it will not receive payment on such payment date. Payments by Participants to owners of beneficial interests in the Notes represented by the Global Note held through such Participants will be the responsibility of such Participants, as is now the case with securities held for the accounts of customers registered in "street name". In particular, payments to owners of beneficial interests in the Notes held through Euroclear and Clearstream Banking will be made in accordance with the rules and operating procedures of Euroclear and Clearstream Banking.

Transfers between Participants will be effected in the ordinary way in accordance with DTC's rules and will be settled in immediately available funds. Participants in Euroclear and Clearstream Banking will effect transfers with other participants in the ordinary way in accordance with the rules and operating procedures of Euroclear and Clearstream Banking, as applicable. The laws of some states of the United States require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons will be limited to that extent. Because DTC can act only on behalf of Participants, which in turn act on behalf of Indirect Participants and certain banks, the ability of a person having beneficial interests in a Global Note to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Cross-market transfers between DTC Participants, on the one hand, and directly or indirectly through Euroclear or Clearstream Banking participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream Banking, as the case may be, by its respective depositary; however, these cross-market transactions will require delivery of instructions to Euroclear or Clearstream Banking, as the case may be, by the counterparty in the system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream Banking, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream Banking participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream Banking.

Because of time zone differences, the securities account of a Euroclear or Clearstream Banking participant purchasing an interest in a Global Note from a DTC Participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream Banking, as the case may be) immediately following the DTC settlement date, and the credit of any transaction's interests in the Global Note settled during the processing day will be reported to the relevant Euroclear or Clearstream Banking participant on that day. Cash received in Euroclear or Clearstream Banking as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream Banking participant to a DTC Participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear or Clearstream Banking cash account only as of the business day following settlement in DTC.

Neither us, any of the Guarantors or the Trustee, nor any agent of either of us, will have responsibility for the performance of DTC, Euroclear, Clearstream Banking or their respective participants of their respective obligations under the rules and procedures governing their operations. DTC has advised us that it will take any action permitted to be taken by a holder of the Notes (including, without limitation, the presentation of the Notes for exchange as described below) only at the direction of one or more Participants to whose accounts with DTC interests in a Global Note are credited, and only in respect of the Notes represented by the Global Note as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC reserves the right to exchange the Global Notes for Notes in definitive form, which it will distribute to its Participants.

DTC has also advised us that DTC is a limited purpose trust company organised under the laws of the State of New York, a member of the Federal Reserve System, a "**clearing corporation**" within the meaning of the Uniform Commercial Code and a "**clearing agency**" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and to facilitate the clearance and settlement of securities transactions between Participants through electronic book-entry changes to accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organisations such as the Initial Purchasers. Certain of such Participants (or their representatives), together with other entities, own DTC. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through, or maintain a custodial relationship with, a Participant, either directly or indirectly.

Although we expect that DTC, Euroclear and Clearstream Banking will agree to the foregoing procedures in order to facilitate transfers of interests in the Global Notes among their respective participants, DTC, Euroclear and Clearstream Banking are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

### Exchange of Global Notes for Definitive Notes

A Global Note is exchangeable for Notes in registered definitive form ("**Definitive Notes**") if:

(a) DTC notifies us that it is unwilling or unable to continue as depositary for the Global Notes or has ceased to be a clearing agency registered under the Exchange Act and, in either case, we thereupon fail to appoint a successor depositary within 90 days after the date of such notice; or

(b) we, at our option, notify the Trustee in writing that we elect to cause the issuance of Definitive Notes.

In all cases, Definitive Notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of DTC (in accordance with its customary procedures) and will bear the restrictive legend referred to in "*Notice to Prospective Investors*," unless we determine otherwise in compliance with the requirements of the Indenture.

For so long as the Notes are listed on the Irish Stock Exchange and the rules of such exchange so requires, in the case of a transfer or exchange of Definitive Notes, a holder thereof may effect such transfer or exchange by presenting and surrendering such Notes at, and obtaining new Definitive Notes from, the office of the Principal Paying Agent, in the case of a transfer of only a part of a Definitive Note, a new Definitive Note in respect of the balance of the principal amount of the Definitive Note registered and not transferred will be delivered at the office of the Principal Paying Agent, and in the case of any lost, stolen, mutilated or destroyed Definitive Note, a holder thereof may obtain a new Definitive Note from the Principal Paying Agent.

### Exchange of Definitive Notes for Global Notes

If issued, Definitive Notes may not be exchanged or transferred for beneficial interests in a Global Note except upon consummation of an exchange offer. See "Notice to Prospective Investors".

### Exchange of Definitive Notes for Definitive Notes

If issued, Definitive Notes may be exchanged or transferred by presenting or surrendering such Definitive Notes at the office of the registrar with a written instrument of transfer in form satisfactory to such registrar, duly executed by the holder of the Definitive Notes or by its attorney, duly authorised in writing. If the Definitive Notes being exchanged or transferred have restrictive legends, such holder must also provide a written certificate (in the form provided in the Indenture) to the effect that such exchange or transfer will comply with the appropriate transfer restrictions applicable to such Notes.

### Exchanges Between the Global Notes

Beneficial interests in the Regulation S Global Note may be exchanged for beneficial interests in the Rule 144A Global Note if such exchange occurs in connection with a transfer of the Notes pursuant to Rule 144A and the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that the Notes are being transferred to a person whom the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A, purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interests in the Rule 144A Global Note may be transferred to a person within the United States and who takes delivery in the form of an interest in the Regulation S Global Note only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S.

Transfers involving an exchange of a beneficial interest in one of the Global Notes for a beneficial interest in another Global Note will be effected in DTC by means of an instruction originated by the Trustee through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Global Note representing the beneficial interest that is transferred and a corresponding increase in the principal amount of the other Global Note. Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be

subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long as it remains such an interest.

### Same-Day Settlement and Payment

The Notes represented by the Global Notes will be eligible to trade in DTC's Same Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. We expect that secondary trading in any Definitive Notes would also be settled in immediately available funds.

Because of time zone differences, the securities account of a Euroclear or Clearstream Banking participant purchasing an interest in a Global Note from a Participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream Banking participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream Banking) immediately following the settlement date of DTC.

DTC has advised us that cash received in Euroclear or Clearstream Banking as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream Banking participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream Banking cash account only as of the business day for Euroclear or Clearstream Banking following DTC's settlement date.

### Replacement, Transfer and Exchange

If any note at any time is mutilated, destroyed, stolen or lost, such note may be replaced at the cost of the applicant at the office of the Trustee or the office of the registrar. The applicant for a new note must, in the case of any mutilated note, surrender such note to the Trustee or the registrar, as applicable, and, in the case of any lost, destroyed or stolen note, furnish evidence satisfactory to the Trustee or the registrar, as applicable, of such loss, destruction or theft, together with such indemnity as the Trustee or the registrar, as applicable, and we may require.

Citigroup Global Markets Deutschland AG will act as registrar and Notes may be presented for registration of Transfer and exchange at its office indicated on the back cover page of this Offering Memorandum.

A holder may transfer or exchange Notes in accordance with the Indenture. The registrar and the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents and we may require a holder to pay any transfer tax or similar governmental charge required by law. The Issuer and the registrar are not required to transfer or exchange any note selected for redemption. Also, the Issuer and the registrar are not required to transfer or exchange any note for a period of 15 days before a selection of Notes to be redeemed.

## TAXATION

### United States Federal Income Tax Considerations

The following is a description of the principal U.S. federal income tax consequences to a U.S. Holder (as defined below) of the acquisition, ownership and disposition of the Notes. This description only applies to Notes held as capital assets and does not discuss all the tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as:

(a) financial institutions;

(b) insurance companies;

(c) tax exempt organisations;

(d) real estate investment trusts;

(e) regulated investment companies;

(f) grantor trusts;

(g) persons that have a functional currency other than the U.S. dollar;

(h) persons that will hold a Note through partnerships or other pass through entity;

(i) dealers or traders in securities or currencies;

(j) certain former citizens or long term residents of the United States; or

(k) persons that will hold the Notes as part of a position in a "**straddle**" or as a part of a "**hedging**", "conversion" or other risk reduction transaction for U.S. federal income tax purposes.

Moreover, this description does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the acquisition, ownership or disposition of Notes and does not address the U.S. federal income tax treatment of holders that do not acquire Notes as part of the initial distribution at their issue price, which will equal the first price at which a substantial amount of Notes is sold for money to the public (not acting in the capacity of underwriters, placement agents or wholesalers). Each prospective purchaser should consult its tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding and disposing of Notes.

This description is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), existing, proposed and temporary U.S. Treasury Regulations (the "**Regulations**") and judicial and administrative interpretations thereof, in each case as in effect and available on the date hereof. All of the foregoing are subject to change (possibly with retroactive effect) or differing interpretations which could affect the tax consequences described herein.

For purposes of this description, a "**U.S. Holder**" is a beneficial owner of the Notes who for U.S. federal income tax purposes is:

(a) an individual citizen or resident of the United States;

(b) a corporation (or any other entity that is treated as a corporation for U.S. federal income tax purposes) organised in or under the laws of the United States or any political subdivision thereof (including the District of Columbia);

(c) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

(d) a trust (1)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control, or (2) that was in existence on 20 August 1996 and that validly elected under applicable Regulations to be treated as a U.S. person for U.S. federal income tax purposes.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership (or other entity treated as a partnership for U.S. federal income tax purposes) should consult its tax advisor as to the tax consequences of holding the Notes.

Persons considering the purchase of the Notes should consult their tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdictions.

**U.S. Internal Revenue Service Circular 230 Disclosure**

**Pursuant to U.S. Internal Revenue Service Circular 230, we hereby inform you that the description set forth herein with respect to U.S. federal tax issues was not intended or written to be used, and such description cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on the taxpayer under the U.S. Internal Revenue Code. Such description was written to support the promotion or marketing of the Notes. Each taxpayer should seek advice based on their particular circumstances from an independent tax advisor.**

**Certain Contingent Payments**

In certain circumstances, the Issuer may be obligated to make contingent payments on the Notes as described under "*Description of Notes—Optional Redemption*" and "*Description of Notes—Change of Control*". Under the contingent payment debt instrument Regulations ("**CPDI Regulations**"), the possibility of a contingent payment on a Note may be disregarded if the likelihood of the contingent payment, as of the date the Notes are issued, is remote or incidental. We do not intend to treat the possibility of the contingent payments on the Notes as subjecting the Notes to the CPDI Regulations. It is possible, however, that the Internal Revenue Service ("**IRS**") may take a different position regarding the possibility of such contingent payments, in which case, if the position of the IRS were sustained, the timing, amount and character of income recognised with respect to a Note may be different than described herein and a U.S. Holder may be required to recognise income significantly in excess of payments received and may be required to treat as interest income all or a portion of any gain recognised on the disposition of any Note. The remainder of this discussion assumes that the Notes will not be treated as contingent payment debt instruments. U.S. Holders should consult their tax advisors regarding the potential application of the CPDI Regulations to the Notes.

**Interest**

Interest paid to you on a Note will be includible in your gross income as ordinary interest income at the time it is received, in accordance with your usual method of tax accounting.

Interest with respect to the Notes will be treated as foreign source income for U.S. federal income tax purposes. Subject to certain conditions and limitations, foreign taxes, if any, withheld on interest payments may be treated as foreign taxes eligible for credit or, alternatively, deduction against your U.S. federal income tax liability. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific "baskets" of income. For this purpose, the interest should generally constitute "passive category income", or in the case of certain U.S. Holders, "general category income". As an alternative to the tax credit, a U.S. Holder may elect to deduct such taxes (the election would then apply to all foreign income taxes such U.S. Holder paid in that taxable year). U.S. Holders should consult their tax advisors regarding the availability of foreign tax credits.

**Sale, Exchange or Disposition of the Notes**

A U.S. Holder generally will recognise gain or loss on the sale, exchange or disposition of the Notes equal to the difference, if any, between the amount realised on such sale, exchange or disposition (less any amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and the U.S. Holder's adjusted tax basis in the Notes.

Your adjusted tax basis in a Note will be the U.S. dollar value of the purchase price determined on the date of purchase decreased by the amount of any payment other than qualified stated interest with respect to the Note.

Gain or loss recognised by a U.S Holder upon the sale, exchange or disposition of the Notes will be capital gain or loss. In the case of a non-corporate U.S. Holder, the maximum marginal U.S. federal income tax rate applicable to such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income (other than certain dividends) if such U.S. Holder's holding period for such Notes exceeds one year (i.e., such gain is long term capital gain). Gain or loss, if any, recognised by a U.S Holder generally will be treated as U.S. source gain or loss, as the case may be. The deductibility of capital losses is subject to limitations under the Code.

**Additional Notes**

The Issuer may issue Additional Notes as described under "*Description of Notes*". These Additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such case, the Additional Notes may be considered to have been issued with OID, which may affect the market value of the original Notes if the Additional Notes are not otherwise distinguishable from the original Notes.

**Foreign Asset Reporting**

Certain U.S. Holders who are individuals are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by financial institutions in which case such accounts may be reportable if maintained by a foreign financial institution). U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to the their ownership and disposition of the Notes.

**Backup withholding tax and information reporting requirements**

U.S. backup withholding tax and information reporting requirements generally apply to certain payments to certain non-corporate holders. Information reporting generally will apply to the distributions on, and to proceeds from the sale or redemption of, Notes made within the United States or by a U.S. payor or U.S. middleman to a holder of Notes, other than an exempt recipient, including a corporation, a payee that is not a U.S. person that provides an appropriate certification and certain other persons. A payor will be required to withhold backup withholding tax from any distributions on, or the proceeds from the sale or redemption of, Notes within the United States or by a U.S. payor or U.S. middleman to a holder, other than an exempt recipient, if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. Payments within the United States, or by a U.S. payor or U.S. middleman, of principal and interest to a holder of a Note that is not a U.S. person will not be subject to backup withholding and information reporting requirements if an appropriate certification is provided by the holder to the payor, and the payor does not have actual knowledge or a reason to know that the certificate is incorrect. The backup withholding tax rate is 28%.

Backup withholding is not an additional tax. You generally will be entitled to credit any amounts withheld under the backup withholding rules against your U.S. federal income tax liability provided the required information is furnished to the IRS in a timely manner.

**Medicare Tax**

A U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax on the lesser of (1) such U.S. Holder's ''net investment income'' (or undistributed "net investment income" in the case of estates and trusts) for the relevant taxable year and (2) the excess of such U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individual's circumstances). A U.S. Holder's net investment income will generally include its gross interest income and its net gains from the disposition of the Notes, unless such interest or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. Holder that is an individual, estate or trust, you are urged to consult your tax advisor regarding the applicability of this tax to your income and gains in respect of your investment in the Notes.

The above description is not intended to constitute a complete analysis of all U.S. federal income tax consequences relating to the Notes. Prospective purchasers of Notes should consult their tax advisors concerning the tax consequences of their particular situations.

**Kazakhstan**

The following is a general summary of Kazakhstan tax consequences as at the date hereof in relation to payments made under the Notes and in relation to the sale or transfer of the Notes. It is not exhaustive and purchasers are urged to consult their professional advisers as to the tax consequences to them of holding or transferring Notes.

Zhaikmunai LLP intends to be substituted for the Issuer as issuer of the Notes, whereupon it will assume all of the obligations of the Issuer under the Substitution. It is also expected that immediately following the acquisition by Zhaikmunai LLP of 100% of the share capital of the Issuer, but prior to the Substitution, application may be made by the Issuer for a dual listing of the Notes on the KASE. See "*Description of Notes—Certain Covenants—Substitution*". Set forth below is a summary of Kazakhstan tax consequences both prior to and following the Substitution. There can be no assurances that the Substitution

will take place or that any application for listing of the Notes on the KASE will be successful or that such listing will be granted or maintained.

***Prior to the Substitution***

*Interest*

Under Kazakhstan law as presently in effect, payments of principal or interest on the Notes by the Issuer to an individual who is a tax non-resident of Kazakhstan or to a legal entity that is neither established in accordance with the legislation of Kazakhstan, nor has its actual governing body (place of actual management) in, nor maintains a permanent establishment in, Kazakhstan or otherwise has no legal taxable presence in Kazakhstan (together, "**Non-Kazakhstan Holders**") should not be subject to taxation in Kazakhstan, and no withholding of any Kazakhstan tax should be required on any such payments. Interest payable by the Issuer to residents of Kazakhstan or to tax non-residents who maintain a permanent establishment in Kazakhstan (together, "**Kazakhstan Holders**"), other than to individuals, should be subject to Kazakhstan income tax unless the Notes are listed, as at the date of accrual of interest, on the official list of a stock exchange operating in the territory of Kazakhstan. Payments of interest from Zhaikmunai LLP to the Issuer under the Proceeds Loan Agreement to fund the Issuer's obligations to make payments under the Notes should be subject to Kazakhstan withholding tax at a rate of 15% (unless an applicable double taxation treaty provides otherwise).

*Gains*

Gains realised by Non-Kazakhstan Holders derived from the disposal, sale, exchange or transfer of the Notes should not be subject to Kazakhstan income tax. Any gains derived by Kazakhstan Holders in relation to Notes will be subject to Kazakhstan income tax unless the Notes are listed as at the date of sale on the official list of a stock exchange operating in the territory of Kazakhstan and sold through open trades on such stock exchange.

*Payments under the Guarantees issued by Zhaikmunai LLP and Condensate-Holding LLP*

Payments of interest to Non-Kazakhstan Holders under the Guarantees issued by Zhaikmunai LLP and Condensate-Holding LLP should be subject to withholding tax at a rate of 15% unless reduced by an applicable double taxation treaty. Payments of interest under such Guarantees to Non-Kazakhstan Holders registered in countries with a favourable tax regime which appear in a list published from time to time by the Kazakh Government (these countries currently include Cyprus, Liechtenstein, Luxembourg, Nigeria, Malta, Aruba and others) should be subject to withholding of Kazakhstan tax at a rate of 20% unless reduced by an applicable double taxation treaty.

Payments of interest to Kazakhstan Holders under the Guarantees issued by Zhaikmunai LLP and Condensate-Holding LLP other than to Kazakhstan investment funds and certain other entities, should be subject to withholding tax at a rate of 15% and for individuals, at a rate of 10%.

Zhaikmunai LLP and Condensate-Holding LLP will agree under their Guarantees in the Indenture to pay Additional Amounts (as defined in the Indenture) in respect of any such withholding, subject to certain exceptions set out in full in "*Description of Notes—Taxation*". Payments by Zhaikmunai LLP and Condensate-Holding LLP to a Noteholder entitled to the benefits of an applicable double taxation treaty may be subject to a reduced rate of withholding tax.

***Following the Substitution***

*Interest*

Payments of interest on the Notes by Zhaikmunai LLP to Non-Kazakhstan Holders should be subject to withholding tax at a rate of 15% unless reduced by an applicable double taxation treaty. Payments of interest on the Notes to Non-Kazakhstan Holders registered in countries with a favourable tax regime which appear in a list published from time to time by the Kazakh Government (these countries currently include Cyprus, Liechtenstein, Luxembourg, Nigeria, Malta, Aruba and others) should be subject to withholding of Kazakhstan tax at a rate of 20% unless reduced by an applicable double taxation treaty.

Under Kazakhstan law presently in effect, the withholding tax on interest should not apply if the Notes are, as at the date of accrual of interest, on the official list of a stock exchange operating in the territory of Kazakhstan (such as, the KASE).

Interest payable by Zhaikmunai LLP to Kazakhstan Holders, other than to individuals (who are exempt) and Kazakhstan investment funds and certain other entities, should be subject to Kazakhstan withholding tax at a rate of 15% unless the Notes are listed, as at the date of accrual of interest, on the official list of a stock exchange operating in the territory of Kazakhstan.

*Gains*

Gains realised by Non-Kazakhstan Holders derived from the disposal, sale, exchange or transfer of the Notes should be subject to withholding tax at a rate of 15%. If the disposal of the Notes is made to a Kazakhstan Holder and the transferor is registered in a country with a favourable tax regime, gains derived from such a disposal should be subject to withholding tax in Kazakhstan at the rate of 20%. However, Kazakhstan tax legislation does not define procedures to collect withholding tax where payment is made by a non-resident without taxable presence in Kazakhstan, and it is otherwise not clear if such non-resident may be treated as a tax agent for Kazakhstan tax purposes.

Any gains realised by Non-Kazakhstan Holders in relation to the Notes which are listed as of the date of sale on the official list of a stock exchange operating in the territory of Kazakhstan or a foreign stock exchange and sold through open trades on such stock exchanges should not be subject to withholding tax. Also, the withholding tax on the gains may be reduced under an applicable double taxation treaty.

Any gains derived by Kazakhstan Holders in relation to the Notes which are listed as of the date of sale on the official list of a stock exchange operating in the territory of Kazakhstan and sold through open trades on such stock exchange should not be subject to Kazakhstan income tax.

*Payments under the Guarantees issued by Condensate-Holding LLP*

Payments of interest to Non-Kazakhstan Holders under the Guarantee issued by Condensate-Holding LLP should be subject to withholding tax at a rate of 15% unless reduced by an applicable double taxation treaty. Payments of interest under such Guarantee to Non-Kazakhstan Holders registered in countries with a favourable tax regime which appear in a list published from time to time by the Kazakh Government (these countries currently include Cyprus, Liechtenstein, Luxembourg, Nigeria, Malta, Aruba and others) should be subject to withholding of Kazakhstan tax at a rate of 20% unless reduced by an applicable double taxation treaty.

Payments of interest to Kazakhstan Holders under the Guarantee issued by Condensate-Holding LLP, other than to Kazakhstan investment funds and certain other entities, should be subject to withholding tax at a rate of 15% and for individuals, at a rate of 10%.

Condensate-Holding LLP will agree under its Guarantee in the Indenture to pay Additional Amounts (as defined in the Indenture) in respect of any such withholding, subject to certain exceptions set out in full in "*Description of Notes—Taxation*". Payments by Condensate-Holding LLP to a Noteholder entitled to the benefits of an applicable double taxation treaty may be subject to a reduced rate of withholding tax.

**Netherlands**

***General***

The following is a general summary of certain Netherlands tax consequences of the acquisition, holding, disposal and Substitution of the Notes. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a Holder or prospective Holder of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as investors that are subject to taxation in Bonaire, Sint Eustatius and Saba and trusts or similar arrangements) may be subject to special rules. In view of its general nature, it should be treated with corresponding caution. Holders or prospective Holders of Notes should consult with their tax advisers with regard to the tax consequences of investing in the Notes in their particular circumstances. The discussion below is included for general information purposes only.

Except as otherwise indicated, this summary only addresses Netherlands domestic tax legislation and published regulations, as in effect on the date hereof and as interpreted in published case law until this date, without prejudice to any amendment introduced at a later date and implemented with or without retroactive effect.

***Withholding tax***

All payments of principal and/or interest, and upon Substitution made by the Issuer under the Notes may be made free of withholding or deduction of, for or on account of any taxes, duties or charges of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, *provided that* the Notes will not be regarded nor will be deemed to be regarded under Netherlands Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*) as a loan that in fact functions as equity of the issuer.

***Taxes on income and capital gains***

Please note that the summary in this section does not describe the Netherlands tax consequences for:

(i) Holders of the Notes if such Holders, and in the case of individuals, his/her partner or certain of their relatives by blood or marriage in the direct line (including foster children), have a substantial interest (in Dutch: "*aanmerkelijk belang"*) or deemed substantial interest in the issuer under the Netherlands Income Tax Act 2001 (In Dutch: "*Wet inkomstenbelasting 2001"*). Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder alone or, in the case of individuals, together with his/her partner and certain relatives by blood in the direct line (as defined in the Netherlands Income Tax Act 2001), directly or indirectly, holds (i) an interest of 5% or more of the total issued and outstanding capital of that company or of 5% or more of the issued and outstanding capital of a certain class of shares of that company; or (ii) rights to acquire, directly or indirectly, such interest; or (iii) certain profit sharing rights in that company that relate to 5% or more of the company's annual profits and/ or to 5% or more of the company's liquidation proceeds. A deemed substantial interest may arise if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis as a result of applying a tax facility (rollover facility);

(ii) pension funds, investment institutions (in Dutch: "*fiscale beleggingsinstellingen"*), exempt investment institutions (in Dutch: "*vrijgestelde beleggingsinstellingen"*) (as defined in the Netherlands Corporate Income Tax Act 1969) and other entities that are exempt from Netherlands corporate income tax; and

(iii) Holders of Notes who are individuals for whom the Notes or any benefit derived from the Notes are a remuneration or deemed to be a remuneration for activities performed by such Holders or certain individuals related to such Holder (as defined in the Netherlands Income Tax Act 2001).

*Residents of the Netherlands*

Generally speaking, if the Holder of the Notes is an entity that is a resident or deemed to be resident of the Netherlands for Netherlands corporate income tax purposes, any income derived from the Notes or any gain or loss realized on the disposal, deemed disposal or the Substitution of the Notes is subject to Netherlands corporate income tax at a rate of 25% (a corporate income tax rate of 20% applies with respect to taxable profits up to EUR 200,000, the bracket for 2014).

If a Holder of the Notes is an individual, resident or deemed to be resident of the Netherlands for Netherlands income tax purposes (including the non-resident individual holder who has made an election for the application of the rules of the Netherlands Income Tax Act 2001 as they apply to residents of the Netherlands), any income derived from the Notes or any gain or loss realized on the disposal, deemed disposal or the Substitution of the Notes is taxable at the progressive income tax rates (with a maximum of 52%), if:

(i) the Notes are attributable to an enterprise from which the Holder of the Notes derives a share of the profit, whether as an entrepreneur or as a person who has a co-entitlement to the net worth of such enterprise without being an entrepreneur or a shareholder (as defined in the Netherlands Income Tax Act 2001); or

(ii) the Holder of the Notes is considered to perform activities with respect to the Notes that go beyond ordinary asset management (in Dutch: "*normaal, actief vermogensbeheer*") or derives benefits from the Notes that are (otherwise) taxable as benefits from other activities (in Dutch: "*resultaat uit overige werkzaamheden*").

If the above-mentioned conditions (i) and (ii) do not apply to the individual Holder of the Notes, such Holder will be taxed annually on a deemed income of 4% of his/her net investment assets for the year at an income tax rate of 30% (leading to a net effective tax rate on investment assets of 1.2%). The net investment assets for the year are the fair market value of the investment assets less the allowable liabilities on 1 January of the relevant calendar year. The Notes, before and after Substitution, are included as investment assets. A tax free allowance may be available to decrease the amount of net investment assets on which the tax is levied. Actual interest income or an actual gain or loss in respect of the Notes is as such not subject to Netherlands income tax.

*Non-residents of the Netherlands*

A Holder of the Notes that is neither resident nor deemed to be resident of the Netherlands nor has made an election for the application of the rules of the Netherlands Income Tax Act 2001 as they apply to residents of the Netherlands will not be subject to Netherlands taxes on income or capital gains in respect of any income derived from the Notes or in respect of any gain or loss realized on the disposal, deemed disposal or Substitution of the Notes, *provided that*:

(i) such Holder does not have an interest in an enterprise or deemed enterprise (as defined in the Netherlands Income Tax Act 2001 and the Netherlands Corporate Income Tax Act 1969, including, but not limited to, article 17-3-c) which, in whole or in part, is either effectively managed in the Netherlands or carried on through a permanent establishment, a

deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Notes are attributable;

(ii) in the event the Holder is an individual, such Holder does not carry out any activities in the Netherlands with respect to the Notes that go beyond ordinary asset management and does not derive benefits from the Notes that are (otherwise) taxable as benefits from other activities in the Netherlands; and

(iii) such Holder does not have an interest in an enterprise in the Netherlands other than by way of the holding of securities and is not a managing director or part of a supervisory board of an enterprise in the Netherlands.

A Holder of a Note will not become subject to taxation in the Netherlands by reason only of the execution, delivery, Substitution or enforcement of the Notes or the performance by the relevant issuer of its obligations under the Notes.

***Gift and inheritance taxes***

*Residents of the Netherlands*

Gift or inheritance taxes will arise in the Netherlands with respect to a transfer of the Notes by way of a gift by, or on the death of, a Holder of such Notes who is resident or deemed resident of the Netherlands at the time of the gift or his/her death. For purposes of Netherlands gift and inheritance taxes, an individual holding the Netherlands nationality will be deemed to be resident in the Netherlands if such individual has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his/her death.

Additionally, for purposes of Netherlands gift tax, an individual not having the Netherlands nationality will be deemed to be resident in the Netherlands if such individual has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

*Non-residents of the Netherlands*

No Netherlands gift or inheritance taxes will arise on the transfer of Notes by way of gift by, or on the death of, a Holder of Notes who is neither resident nor deemed to be resident in the Netherlands, unless at the time of the gift or death of the Holder of Notes, his/her Notes are attributable to an enterprise (or an interest in an enterprise) which is, in whole or in par, carried on through a permanent establishment or permanent representative in the Netherlands, or the Holder of Notes is entitled to a share in the profits of an enterprise managed in the Netherlands, other than by way of the holding of securities or through an employment contract, to which the Notes are attributable.

Based on legal fictions in Netherlands tax law certain transactions undertaken during the lifetime of a Holder of Notes, even if such Holder at the time of such a transaction was neither resident nor deemed to be resident in the Netherlands, are taxed with Netherlands inheritance tax when the Holder of Notes dies as a resident or deemed resident of the Netherlands. Examples of such transactions are transfers of ownership under which the Holder of Notes keeps the usufruct, gifts made under condition precedent and gifts made within 180 days before the death of the donor.

Furthermore, under certain circumstances a Holder of Notes will be deemed to be resident in the Netherlands for purposes of Netherlands gift and inheritance tax, if the heirs jointly or the recipient of the gift, as the case may be, so elect.

***Value added tax (VAT)***

No Netherlands VAT will be payable by the Holders of the Notes on any payment in consideration for the issue or transfer of the Notes or with respect to the payment of interest or principal by the issuer under the Notes. No Netherlands VAT should be due on the Substitution of the Notes.

***Other taxes and duties***

There is no Netherlands registration tax, capital tax, stamp duty or any other similar tax or duty in connection with (i) the issue of the Notes, (ii) the payment of interest or principal by the issuer under the Notes or (iii) the transfer of the Notes, other than court fees and contributions for the registration with the Trade Register of the Chamber of Commerce, payable by a Holder of a Note in the Netherlands in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the courts of the Netherlands) of the Notes or the performance of issuer's obligations under the Notes.

No Netherlands registration tax, capital tax, stamp duty or any other similar documentary tax or duty will be payable in the Netherlands by the Holder of the Notes in respect of or in connection with the Substitution.

### *EU Savings Directive*

Under the European Union Directive on the taxation of savings income (Council Directive 2003/48/EC, the "EU Savings Directive", each member State (each a "**Member State**") of the European Union is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, certain Member States may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information arrangements or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

The European Commission has published proposals for amendments to the EU Savings Directive, which, if implemented, would amend and broaden the scope of the requirements above.

### *EU Financial Transactions Tax*

On 14 February 2013, the European Commission produced a proposal for a council directive on a common system of financial transaction tax ("**FTT**") to be implemented under enhanced co-operation by 11 Member States, namely Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain. The proposal was approved by the European Parliament on 3 July 2013 and must now be unanimously approved by the participating Member States before it comes into force.

If adopted in its current form, the FTT will, subject to certain exemptions, apply to financial transactions as defined in the proposal, including: (a) purchases or sales of a wide range of "financial instruments" (very broadly defined and including shares, bonds, money-market instruments and many other instruments); and (b) the conclusion of derivative contracts, (each a "**Financial Transaction**").

FTT would be chargeable at rates to be determined by each participating Member State, but that a rate must be set at least equal to: (a) 0.1% of the price paid or, if higher, the market value of the financial instruments under (a) above; and (b) 0.01% of the notional value of the derivative contract under (b) above.

In order for FTT to apply to a particular Financial Transaction, (a) at least one party must be "established" in a participating Member State; and (b) a financial institution "established" in a participating Member State must be a party to that transaction. A financial institution can be treated as established in a participating Member State if the other party to the transaction is established in a participating Member State or the financial instrument which is the subject of the Financial Transaction is issued within a participating Member State.

The FTT would primarily be a tax levied on financial institutions (such as banks, credit institutions and pension funds). However, such financial institutions may choose to transfer the FTT cost on to other persons and, in particular, the Holders of the Notes, who may consequently suffer additional transaction costs. Prospective Holders of the Notes are strongly advised to seek their own professional advice in relation to the FTT.

## CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the Notes by employee benefit plans that are subject to Title I of ERISA, plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code, entities whose underlying assets include, or are deemed for purposes of ERISA or the Code to include, "plan assets" of any such plan, account or arrangement (each of the foregoing, a "**Plan**") or employee benefit plans subject to any other federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of Section 4975 of the Code or Section 406 of ERISA ("**Similar Laws**").

### General fiduciary matters

ERISA imposes certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA (an "ERISA Plan") and prohibits certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA, any person who exercises any discretionary authority or control over the administration of an ERISA Plan or the management or disposition of the assets of an ERISA Plan, or who renders investment advice for a fee or other compensation, direct or indirect, to an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the Notes of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

### Prohibited transaction issues

Section 406 of ERISA and Section 4975 of the Code prohibit Plans from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest," within the meaning of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code, unless an exemption or exception is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition and/or holding of Notes by an ERISA Plan or other Plan subject to Section 4975 of the Code with respect to which we, the initial purchasers, or a guarantor is considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption or exception. In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions, or "PTCEs," that may apply to the acquisition and holding of the Notes. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide relief from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions between an ERISA Plan and non-fiduciary service providers to the ERISA Plan, *provided* that neither the issuer of the securities nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction and *provided* further that the Plan pays no more than adequate consideration in connection with the transaction. There can be no assurance that all of the conditions of any such exemptions will be satisfied.

Because of the foregoing, the Notes should not be purchased or held by any person investing "plan assets" of any Plan or plan subject to substantially Similar Law, unless such purchase and holding of such Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or in the case of another employee benefit plan subject to Similar Law, is not in violation of any Similar Law).

### Representation

To address the above concerns, each purchaser and subsequent transferee of a Note will be deemed to have made certain representations which are designed to ensure that the purchase and holding of the Notes (or any interest therein) will not constitute or result in a non exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or in the case of another employee benefit plan subject to Similar Law, is not in violation of any Similar Law).

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in nonexempt prohibited transactions, it is particularly important

that fiduciaries, or other persons considering purchasing the notes on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the notes.

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE CODE; (B) SUCH DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD CONSULT AN INDEPENDENT TAX ADVISOR TO DETERMINE THE PARTICULAR INCOME TAX CONSEQUENCES TO THEM OF PURCHASING, HOLDING AND DISPOSING OF THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF ANY CHANGES IN U.S. FEDERAL OR OTHER APPLICABLE TAX LAWS.

## TRANSFER RESTRICTIONS

*Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.*

The Notes (including the Guarantees) have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, or in any other jurisdiction, and, unless so registered, may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the Notes (including the Guarantees) are being offered and sold only (i) to persons reasonably believed to be qualified institutional buyers as defined in, and in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or pursuant to another exemption from, or transaction not subject to, such registration requirements; and (ii) outside the United States to non-U.S. persons, in offshore transactions in reliance on Regulation S under the Securities Act. Terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein.

We use the terms "**offshore transaction**," "**United States**" and "**U.S. Person**" with the meanings given to them in Regulation S under the Securities Act.

If you purchase Notes (including the Guarantees), you, by acceptance thereof, will be deemed to have represented and agreed with us, the Issuer and the Initial Purchasers as follows:

(1) You understand and acknowledge that the Notes (including the Guarantees) have not been registered under the Securities Act or with any securities regulatory authority or any state other jurisdictions, and that the Notes (including the Guarantees) are being offered for resale in a transaction not requiring registration under the Securities Act or any other securities laws, and, unless so registered, may not be offered, sold or otherwise transferred, except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

(2) You are not an "affiliate" (as defined in Rule 144 under the Securities Act) of the Issuer or acting on the Issuer's behalf and you are either (a) a qualified institutional buyer and are aware that the sale of the Notes to you is being made in reliance on Rule 144A and are acquiring such Notes for your own account or for the account of a qualified institutional buyer, as the case may be, or (b) a non-U.S. Person outside the United States and purchasing the Notes in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that none of the Issuer, the Guarantors, the Initial Purchasers, the Trustee or any person representing the Issuer, the Guarantors or the Initial Purchasers has made any representation to you with respect to the Issuer or the offer or sale of any of the Notes (including the Guarantees), other than by the Issuer and the Guarantors with respect to the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither the Initial Purchasers nor the Trustee makes any representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning the Issuer, the Guarantors, the Indenture, the Notes and the Guarantees as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from the Issuer, the Guarantors and the Initial Purchasers.

(4) You are purchasing the Notes (including the Guarantees) for your own account, or for an account with respect to which you exercise sole investment discretion and for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your control and subject to your ability to resell such Notes (including the Guarantees) pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act or pursuant to an effective registration statement under the Securities Act.

(5) You understand and agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes (including the Guarantees), and each subsequent holder of the Notes (including the Guarantees) by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "**Resale Restriction Termination Date**") that is one year (in the case of Notes offered or sold in reliance on Rule 144A) or 40 days (in the case of Notes offered or sold in reliance on Regulation S) after the later of the issue date and the last date on which the Issuer or any of its affiliates was the owner of such Notes (or any predecessor thereto) only (i) to the Issuer, the Guarantors or any subsidiary thereof, (ii) pursuant to a registration statement that has been declared effective

under the Securities Act, (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person it, or any person acting on its behalf, reasonably believes is a qualified institutional buyer that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A, (iv) to non-U.S. Persons outside the United States purchasing in an offshore transaction in compliance with Regulation S or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable securities laws of any state or territory of the United States or any other jurisdiction, and any applicable local laws and regulations, and further subject to the Issuer's and the Trustee's rights prior to any such offer, sale or transfer (a) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (b) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

(6) (A) Either (i) no portion of the assets used by you to acquire and hold the Notes or any interest therein constitutes assets of any employee benefit plan that is subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), any plan, individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or provisions under any federal, state, local, non-U.S. or other laws, rules or regulations that are similar to such provisions of ERISA or the Code (collectively, "**Similar Laws**"), or any entity whose underlying assets are considered to include "plan assets" of any such plans, accounts and arrangements, or (ii) the purchase and holding of the Notes or any interest therein by you will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Laws, and (B) you will not sell or otherwise transfer such Notes or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations, warranties and agreements with respect to its purchase and holding of such Note or any interest therein. The purchaser and any fiduciary causing it to purchase any Notes agrees to indemnify and hold harmless the Issuer and the Initial Purchasers, and their respective affiliates, from and against any cost, damage or loss incurred by any of them as a result of any of the foregoing representations, warranties and agreements being or becoming false. Any purported purchase or transfer of any Note by or to a purchaser or transferee that does not comply with the requirements of this paragraph (7) shall be null and void *ab initio*.

(7) The Notes will bear a legend to the following effect, unless we determine otherwise in compliance with applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "**QUALIFIED INSTITUTIONAL BUYER**" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**")) OR (B) IT IS OUTSIDE THE UNITED STATES AND IS NOT A U.S. PERSON AND IT IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED NOTES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE, PRIOR TO THE DATE (THE "**RESALE RESTRICTION TERMINATION DATE**") WHICH IS IN THE CASE OF NOTES OFFERED OR SOLD IN RELIANCE ON RULE 144A: ONE YEAR; OR IN THE CASE OF NOTES OFFERED OR SOLD UNDER REGULATION S: 40 DAYS (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RELEVANT REGULATION UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) ONLY (A) TO THE ISSUER, A GUARANTOR OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT, OR ANY PERSON ACTING ON ITS BEHALF, REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) TO NON-U.S. PERSONS OUTSIDE THE UNITED STATES PURCHASING IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE

EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR TERRITORY OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

BY ITS ACQUISITION HEREOF, THE HOLDER REPRESENTS THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THE NOTE REPRESENTED HEREBY (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-103 AS MODIFIED BY SECTION 3(42) OF ERISA OR OTHERWISE), OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY STATE, LOCAL, OTHER FEDERAL LAW OF THE UNITED STATES OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THE NOTE REPRESENTED HEREBY WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY SUCH SUBSTANTIALLY SIMILAR STATE, LOCAL, OTHER FEDERAL LAW OF THE UNITED STATES OR NON U.S. LAW, FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

The Notes will be available initially only in book-entry form. The Notes will be issued in the form of one or more global Notes bearing the legend set forth above.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in the Notes as well as to holders of the Notes.

(8) You acknowledge that the Registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth herein have been complied with.

(9) You acknowledge that:

(a) the Issuer, the Guarantors, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations and agreements set forth herein and you agree that, if any of your acknowledgements, representations or agreements herein cease to be accurate and complete, you will notify us and the Initial Purchasers promptly in writing; and

(b) if you are acquiring any Notes as fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

(i) you have sole investment discretion; and

(ii) you have full power to make the foregoing acknowledgements, representations and agreements.

(10) You agree that you will, and each subsequent holder is required to, give to each person to whom you transfer the Notes notice of any restrictions on the transfer of the Notes.

(11) If you are a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, you acknowledge that until the expiration of the Distribution Compliance Period, you shall not make any offer or sale of the Notes in the United States or to, or for the account or benefit of a U.S. person within the meaning of Rule 902 under the Securities Act, except pursuant to an available exemption from the registration requirements of the Securities Act. The Distribution Compliance Period means the 40-day period following the Issue Date for the Notes.

(12) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth above and/or in this Offering Memorandum under "*Notice to Prospective Investors,*" "*Notice to New Hampshire Residents*" and "*Plan of Distribution*."

(13) You understand that the Issuer shall not recognize any offer, sale, pledge or other transfer of the Notes (including the Guarantees) made other than in compliance with the above stated restrictions.

## PLAN OF DISTRIBUTION

Subject to the terms and conditions stated in the purchase agreement dated as at 10 February 2014, the Initial Purchasers named below have agreed to purchase, and we have agreed to sell to the Initial Purchasers, the principal amount of the Notes as set forth below:

| | **Principal Amount of Notes** |
|---|---|
| | *U.S.$* |
| **Initial Purchasers** | |
| Citigroup Global Markets Limited | 80,000,000 |
| ING Bank N.V., London Branch | 80,000,000 |
| JSC Halyk Finance | 80,000,000 |
| SIB (Cyprus) Limited | 80,000,000 |
| VTB Capital plc | 80,000,000 |
| **Total** | **400,000,000** |

The Initial Purchasers shall make any offers or sales into the United States, to the extent necessary, through their U.S. broker dealer affiliates.

The purchase agreement will provide that the obligation of the Initial Purchasers to purchase the Notes is subject to approval of legal matters by counsel and to other conditions. The Initial Purchasers must purchase all the Notes if they purchase any of the Notes.

The Notes and the Guarantees have not been and will not be registered under the Securities Act or qualified for sale under the securities laws of any state or jurisdiction outside the United States and may not be offered to, or sold within the United States or to, or for the account or benefit of, U.S. persons except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Notice to Prospective Investors".

We have been advised that the Initial Purchasers propose to resell the Notes at the offering price set forth on the cover page of this Offering Memorandum within the United States persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the Securities Act, and outside the United States to non-U.S. persons offshore transactions in reliance on Regulation S. The price at which the Notes are offered may be changed at any time without notice.

In addition, until 40 days after the commencement of this Offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

In each Relevant Member State, an offer to the public of any Notes may not be made in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that an offer to the public in that Relevant Member State of any Notes may be made at any time under the following exemptions under the Prospectus Directive, if the Prospectus Directive has been implemented in that Relevant Member State:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43,000,000; and (3) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Initial Purchasers for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

*provided* that no such offer of Notes shall result in a requirement for the publication by the Issuer, any Guarantor or the Initial Purchasers of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Notes to be offered so as to enable an investor to decide to purchase any Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

The Issuer expects that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be four business days (as such term is used for purposes of Rule 15c6-1 of the Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T+4"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the following business day will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

Each Initial Purchaser represents and warrants that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or any Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Notes will constitute a new class of securities with no established trading market. Application has been made, through our listing agent, for the Notes to be listed on the Official List of the Irish Stock Exchange and admitted to trading on the Irish Stock Exchange's Global Exchange Market. Neither we, nor the Initial Purchasers can assure you that the Notes will be approved for listing and that such listing can be maintained. In addition, neither we nor the Initial Purchasers can assure you that the prices at which the Notes will sell in the market after this Offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this Offering. The Initial Purchasers have advised us that they currently intends to make a market in the Notes. However, they are not obligated to do so, and they may discontinue any market making activities with respect to the Notes at any time without notice. Please see "*Stabilisation*". In addition, market making activity will be subject to the limits imposed by the Exchange Act, and may be limited. Accordingly, we cannot assure you that a liquid market will develop for the Notes, that you will be able to sell your Notes at a particular time or that the prices that you receive when you sell will be favourable. See "*Risk Factors—Risks Related to the Notes and Guarantees—There is no established trading market for the Notes and no assurance that holders of the Notes will be able to sell their Notes*".

In connection with this Offering, the Initial Purchasers are not acting for anyone other than us and will not be responsible to anyone other than us for providing the protections afforded to their clients nor for providing advice in relation to this Offering.

Buyers of the Notes sold by the Initial Purchasers may be required to pay stamp duty taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the initial offering price set forth on the cover of this Offering Memorandum.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act.

Citigroup Global Markets Limited, ING Bank N.V., London Branch, JSC Halyk Finance, SIB (Cyprus) Limited and VTB Capital plc and their respective affiliates perform various financial advisory, investment banking and commercial banking services from time to time for us and our affiliates for which they have received or may receive customary advisory fees and expense reimbursement.

In addition, in the ordinary course of their business activities, such Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade in debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Initial Purchasers or their affiliates that have a lending relationship with the Issuer or the Issuer's affiliates routinely hedge their credit exposure as consistent with their customary risk management policies. Typically, such Initial Purchaser and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potential Notes. Any such short position could adversely affect future trading prices of Notes. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish

or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## LEGAL MATTERS

Certain legal matters are being passed upon for the Issuer and the Guarantors by White & Case LLP with respect to matters of U.S. federal, New York State, English and Kazakh law, by Maples and Calder with respect to matters of British Virgin Islands law, by M&P Legal with respect to matters of Isle of Man law, by Van Olmen & Wynant BV CVBA with respect to matters of Belgian law and by Greenberg Traurig LLP with respect to matters of Dutch law. Certain legal matters will be passed upon for the Initial Purchasers by Clifford Chance LLP with respect to matters of U.S. federal and New York State and English law, by Kinstellar LLP with respect to matters of Kazakh law and by Greenberg Traurig LLP with respect to matters of Dutch law.

## INDEPENDENT AUDITORS

The audited consolidated financial statements of Nostrum Oil & Gas LP and its subsidiaries as at and for the years ended 31 December 2012, 2011 and 2010 included in this Offering Memorandum have been audited by Ernst & Young LLP as stated in their reports appearing herein.

The unaudited interim condensed consolidated financial statements of Nostrum Oil & Gas LP and its subsidiaries as at and for the nine months ended 30 September 2013 included in this Offering Memorandum have been reviewed by Ernst & Young LLP in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity as stated in their report appearing herein.

The registered address of Ernst & Young LLP, a member of the Chamber of Auditors of the Republic of Kazakhstan, is Al Farabi Ave. Esentai Tower, 77/7, 050059 Almaty, Kazakhstan.

## WHERE YOU CAN FIND MORE INFORMATION

Each purchaser of Notes from an Initial Purchaser will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to the Offering Memorandum acknowledges that:

- such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;
- such person has not relied on the Initial Purchasers or any person affiliated with any of the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- except as provided pursuant to the first clause above, no person has been authorised to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorised by either us or the Initial Purchasers.

Upon request, we will provide you with copies of, the form of the Notes and Guarantee and any security documents. You may request copies of such document by contacting Ms. Clare Calver at +322 734 7456.

We are not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture that will govern the Notes, we will agree to furnish periodic information to the holders of the Notes. See "*Description of Notes—Certain Covenants—Reports*".

So long as the Notes are admitted to trading on Irish Stock Exchange, and the rules and regulations of such stock exchange so require, copies of such information will also be available for review during the normal business hours on any business day at the specified office of the Principal Paying Agent.

## LISTING AND GENERAL INFORMATION

### Authorisation of the Issuer

The issue of the Notes was duly authorised by a resolution of the Board of Directors of the Issuer dated 30 January 2014.

### Admission to Trading and Listing

Application has been made for the Notes to be admitted to trading on the Irish Stock Exchange's Global Exchange Market and to listing on the Official List of the Irish Stock Exchange, in accordance with the rules and regulations of such exchange.

The expenses in relation to the admission of the Notes to trading on the Irish Stock Exchange's Global Exchange Market and to listing on the Official List of the Irish Stock Exchange will be approximately EUR 4,940.

### Irish Listing Information

For so long as the Notes are admitted to trading on the Global Exchange Market and to listing on the Official List of the Irish Stock Exchange and the rules and regulations of that exchange require, as well as for the life of the Listing Particulars, physical copies of the following documents may be inspected and obtained at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB at the office of the Principal Paying Agent during normal business hours:

- organisational documents of the Issuer and the Guarantors;
- the financial statements included in this Offering Memorandum;
- any annual and interim financial statements or accounts of Nostrum Oil & Gas LP to the extent available;
- the Indenture; and
- the Purchase Agreement.

The Issuer has appointed Arthur Cox Services Limited as Irish listing agent, Citibank N.A., London Branch as principal Paying Agent and Transfer Agent, Citibank N.A. as the New York Paying Agent and Citigroup Global Markets Deutschland AG as registrar to make payments on, when applicable, and transfers of, the Notes. The Issuer reserves the right to vary such appointments in accordance with the terms of the Indenture.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the notes and is not itself seeking admission of the Notes to trading on the Global Exchange Market of the Irish Stock Exchange.

The Issuer accepts responsibility for the information contained in this Listing Particulars. To the Issuer's best knowledge and belief, having taken all reasonable care to ensure such is the case, the information in these Listing Particulars is in accordance with the facts and contains no omission likely to affect its import.

### Clearing Information

The Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of DTC and assigned CUSIP numbers N64884 AA2 and 66978C AA0, respectively. The ISIN and Common Code for the Notes sold pursuant to Regulation S are USN64884AA29 and 103302323, respectively, and the ISIN and Common Code for the Notes sold pursuant to Rule 144A are US66978CAA09 and 103302307, respectively.

### Legal Information

#### The Issuer

The Issuer is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid* or *B.V.*) duly incorporated under the laws of the Netherlands. Its registered office is at Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands (Tel: +31 20 737 2288). The Issuer is registered in the Trade Register of the Chamber of Commerce under the number 59737425. For information regarding its shareholders, please see "*The Issuer*". The Issuer has obtained all necessary consents, approvals and authorisations in the jurisdiction of its incorporation in connection with the issuance of the Notes and was authorised by its board of managing directors on 30 January 2014.

### Financial Year and Accounts

The Issuer's financial year begins on 1 January and ends on 31 December of each year. The Issuer's financial information will be consolidated in the audited consolidated financial statements of Nostrum Oil & Gas LP and its subsidiaries for the

year ended 31 December 2014. Any future published financial statements it prepares will be available, during normal business hours, at the offices of the Principal Paying Agent.

**Annual General Meeting**

The Issuer's annual general meeting of shareholders usually takes place in the commune of the registered office at the place specified in the convening notices before 1 July of each year.

**Guarantor Legal Information**

**The Guarantors**

Zhaikmunai LLP is a limited liability partnership established under the laws of Kazakhstan. Its registered office is at 59/2 Prospekt Evrazia, Uralsk, West Kazakhstan Oblast, 090000 Kazakhstan. It is registered under state re-registration certificate No. 6056-1926-TOO(IU) dated 11 August 2004 and assigned a business identification number: 970340003085. 45% of the participation interests in Zhaikmunai LLP are held by Claydon Industrial Limited and 55% are held by Condensate-Holding LLP. Zhaikmunai LLP has obtained all necessary consents, approvals and authorisations in the jurisdiction of its incorporation in connection with the Guarantee.

Nostrum Oil & Gas LP is a limited partnership registered under the laws of the Isle of Man. Its registered office is at 7TH Floor, Harbour Court, Lord Street, Douglas, Isle of Man, IM1 4LN and its principal place of business at Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands and it is registered with the Isle of Man Companies Registry under registration number 295P. Its principal place of business is at Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands and it is registered with the Dutch Trade Register of the Chamber of Commerce under number 57137668. For information regarding the equity holding of Nostrum Oil & Gas LP, please see "*Significant Holders of Limited Partnership Interests and Common Units*". Nostrum Oil & Gas LP has obtained all necessary consents, approvals and authorisations in the jurisdiction of its formation in connection with the Guarantee. The creation and issuance of the Note Guarantee were authorised by its general partner and pursuant to Article 4.1(b)(vi) of Nostrum Oil & Gas LP's by-laws on 31 January 2014.

Zhaikmunai Netherlands B.V. is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid* or *B.V.*) duly incorporated under the laws of the Netherlands on 29 November 1994 for an unlimited duration. Its registered office is at Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands. Its number in the Trade Register of the Chamber of Commerce is 16032335. Zhaikmunai Netherlands B.V. is a direct, wholly-owned subsidiary of Nostrum Oil & Gas LP. The authorised share capital of Zhaikmunai Netherlands B.V. is EUR 110,359.57, divided into 90,000 ordinary registered shares with a nominal value of EUR 1 each and 2,035,957 type B shares with a nominal value of EUR0.01 each. The issued share capital of Zhaikmunai Netherlands B.V. is EUR 38.511.57, divided into 18,152 ordinary shares, each with a nominal value of EUR 1 and 2,035,957 shares B, each with a nominal value of EUR 0.01. All the issued shares are paid up. Zhaikmunai Netherlands B.V. has obtained all necessary consents, approvals and authorisations in the jurisdiction of its incorporation in connection with the Guarantee. The creation and issuance of the Guarantee was authorised by the management board of Zhaikmunai Netherlands B.V.'s and pursuant to article 16 of Zhaikmunai Netherlands B.V. articles of association, on 30 January 2014.

Nostrum Oil Coöperatief U.A. is a cooperative duly incorporated under the laws of the Netherlands on 17 October 2013 for an unlimited duration. Its registered office is at Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands and it is registered with the Trade Register of the Chamber of Commerce under number 59017376. Nostrum Oil & Gas LP has a member's interest of 99,9% and Nostrum Oil & Gas Group Limited has a member's interest of 0,1%. The members capital of Nostrum Oil Coöperatief U.A. is U.S.$1,001,000, which is fully paid up. Nostrum Oil Coöperatief U.A. has obtained all necessary consents, approvals and authorisations in the jurisdiction of its incorporation in connection with the Guarantee. The creation and issuance of the Guarantee was authorised by the management board of Nostrum Oil Coöperatief U.A. and pursuant to article 12 of Nostrum Oil Coöperatief U.A. articles of association, on 30 January 2014.

Probel Capital Management N.V. is a public company (*naamloze vennootschap*) duly incorporated under the laws of Belgium on 9 March 1992 for an unlimited duration. Its registered office is at Brand Whitlocklaan 42, 1200 Brussels, Belgium and it is registered with the Belgian trade register under the number 0446.834.755. Probel Capital Management N.V. is a direct, wholly-owned subsidiary of Nostrum Oil Coöperatief U.A. The authorised share capital of Probel Capital Management N.V. is €62,000 divided into 1,250 ordinary registered shares. The share capital is fully paid up. Probel Capital Management N.V. has obtained all necessary consents, approvals and authorisations in the jurisdiction of its incorporation in connection with the Guarantee. The creation and issuance of the Guarantee was authorised by the management board of Probel Capital Management N.V. and pursuant to article 3 of Probel Capital Management N.V. articles of association, on 29 January 2014.

Probel Capital Management UK Limited is a private company with limited liability duly incorporated under the laws of England and Wales on 16 May 2006 for an unlimited duration. Its registered office is at 4th Floor, 53-54 Grosvenor Street,

London W1K 3HU, United Kingdom and it is registered with the Registrar of Companies for England and Wales under the number 8071559. Probel Capital Management UK is a direct, wholly-owned subsidiary of Probel Capital Management N.V. The authorised share capital of Probel Capital Management UK Limited is £100, divided into ordinary registered shares with a par value of £1 each. The share capital is fully paid up. Probel Capital Management UK Limited has obtained all necessary consents, approvals and authorisations in the jurisdiction of its incorporation in connection with the Guarantee. The creation and issuance of the Guarantee was authorised by the board of directors of Probel Capital Management UK Limited and pursuant to article 7 of Probel Capital Management UK Limited articles of association, on 29 January 2014.

Condensate-Holding LLP is a limited liability partnership established under the laws of Kazakhstan. Its registered office is at 59/2 Prospekt Evrazia, Uralsk, West Kazakhstan Oblast, 090000 Kazakhstan. It is registered under state re-registration certificate No. 1286-1926-TOO(IU) dated 29 April 2004 and assigned a business identification number: 970740003337. 100% of the participation interests in Condensate-Holding LLP are held by Jubilata Investments Limited. Condensate-Holding LLP has obtained all necessary consents, approvals and authorisations in the jurisdiction of its formation in connection with the Guarantee. The creation and issuance of the Guarantee was authorised by Jubilata Investments Limited as the sole participant of Condensate-Holding LLP and pursuant to Article 4 of Condensate-Holding LLP's charter, on 30 January 2014.

Claydon Industrial Limited is a company limited by shares registered under the BVI Business Companies Act, 2004. It was incorporated on 8 April 2004 with company number 590631. Its registered office is at PO Box 146, Road Town, Tortola, British Virgin Islands. Its principal place of business is at Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands and it is registered with the Dutch Trade Register of the Chamber of Commerce under number 56870558. Claydon Industrial Limited is a direct, wholly-owned subsidiary of Nostrum Oil & Gas LP. The authorised share capital of Claydon Industrial Limited is U.S.$200,000, divided into 200,000 shares with a par value of U.S.$1.00 each. The share capital is fully paid up. Claydon Industrial Limited has obtained all necessary consents, approvals and authorisations in the jurisdiction of its incorporation in connection with the Guarantee. The creation and issuance of the Guarantee was authorised by the directors of Claydon Industrial Limited on 31 January 2014.

Jubilata Investments Limited is a company limited by shares registered under the BVI Business Companies Act, 2004. It was incorporated on 2 January 2001 with company number 423418. Its registered office is at PO Box 146, Road Town, Tortola, British Virgin Islands. Its principal place of business is at Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands and it is registered with the Dutch Trade Register of the Chamber of Commerce under number 56870531. Jubilata Investments Limited is a direct, wholly- owned subsidiary of Nostrum Oil & Gas LP. The authorised share capital of Jubilata Investments Limited is U.S.$50,000, divided into 50,000 shares with a par value of U.S.$1.00, of which U.S.$2 is issued and paid up. Jubilata Investments Limited has obtained all necessary consents, approvals and authorisations in the jurisdiction of its incorporation in connection with the Guarantee. The creation and issuance of the Guarantee was authorised by the directors of Jubilata Investments Limited on 31 January 2014.

Zhaikmunai Finance B.V. is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid or B.V.*) duly incorporated under the laws of the Netherlands on 29 April 2010 for an unlimited duration. Its registered office is at Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands and it is registered with the Trade Register of the Chamber of Commerce under number 32171914. Zhaikmunai Finance B.V. is a direct, wholly-owned subsidiary of Zhaikmunai LLP. The authorised share capital of Zhaikmunai Finance B.V. is EUR 90,000, divided into ordinary registered shares with a nominal value of EUR 1 each of which 18,000 shares are issued and paid up. Zhaikmunai Finance B.V. has obtained all necessary consents, approvals and authorisations in the jurisdiction of its incorporation in connection with the Guarantee. The creation and issuance of the Guarantee was authorised by the board of Zhaikmunai Finance B.V. pursuant to article 11 of Zhaikmunai Finance B.V. articles of association, on 30 January 2014.

Zhaikmunai International B.V. is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid* or *B.V.*) duly incorporated under the laws of the Netherlands on 12 October 2012 for an unlimited duration. Its registered office is at Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands and it is registered with the Trade Register of Chamber of Commerce under number 56250851. Zhaikmunai International B.V. is a direct, wholly-owned subsidiary of Zhaikmunai LLP. The authorised share capital of Zhaikmunai International B.V. is U.S.$20,000, divided into ordinary registered shares with a nominal value of U.S.$1. The share capital is fully paid up. Zhaikmunai International B.V. has obtained all necessary consents, approvals and authorisations in the jurisdiction of its incorporation in connection with the Guarantee. The creation and issuance of the Guarantee was authorised by the board of Zhaikmunai International B.V. pursuant to article 16 of Zhaikmunai International B.V. articles of association, on 30 January 2014.

**Third Party Information**

Ryder Scott has given and not withdrawn its written consent to the inclusion in these Listing Particulars of its report and references to it in the form and context in which they appear and has authorised the contents of its report and confirms that this information has been accurately reproduced herein.

AMEC, an international engineering, project management and consultancy company, with its registered office at Lambousa Street, 1 Nicosia, Cyprus has prepared the AMEC Report at the request of Zhaikmunai LLP. AMEC does not have a material interest in the Issuer or any Group company. AMEC has given and not withdrawn its written consent to the inclusion in these Listing Particulars of references to its report in the form and context in which they appear and has authorised the contents of its report and confirms that this information has been accurately reproduced herein.

**General**

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in the Group's financial position since 30 September 2013; and
- the Group (including the Issuer) has not, during the last 12 months, been involved in any litigation, governmental, administrative proceeding or arbitration relating to claims or amounts which are material except as otherwise disclosed in the Offering Memorandum, and, so far as the Group is aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

## DEFINITIONS

The following definitions apply throughout this Offering Memorandum unless the context requires otherwise:

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| **"1999 Amendments"** | Law No. 467-1 "Concerning the Introduction of Amendments and Additions to Several Legislative Acts on the Subsoil and Petroleum Operations in the Republic of Kazakhstan" amending the Old Subsoil Law. |
| **"2004-2005 Amendments"** | Law No. 2-III on "Introduction of Amendments and Additions to Certain Legal Acts on Subsoil Use and Petroleum Operations" dated 1 December 2004 and Law No. 79-3 on "Introduction of Amendments and Additions to Certain Legal Acts on Subsoil Use and Performance of Petroleum Operations in Kazakhstan" dated 14 October 2005, amending the Old Subsoil Law. |
| **"2007 Amendments"** | New legislation amending the Old Subsoil Law which came into force on 3 November 2007. |
| **"2013 Ryder Scott Report"** | The report prepared by Ryder Scott dated 16 December 2013 relating to the Group's reserves and resources. |
| **"2009 Tax Code"** or **"Tax Code"** | The Code of the Republic of Kazakhstan "On Taxes and Other Mandatory Payments into the Budget" (Tax Code) dated 10 December 2008. |
| **"Affiliate"** | A person or entity that controls, is controlled by, or under common control with another entity or person. |
| **"AMEC"** | AMEC Overseas (Cyprus) Limited |
| **"AMEC Report"** | AMEC environmental, health and safety due diligence report "Health, Safety and Environmental Compliance and Assurance of Audit of Zhaikmunai's Facilities" dated 31 July 2013. |
| **"Amersham"** | Amersham Oil LLP |
| **"Anti-Monopoly Agency"** | The Kazakh anti-monopoly authority |
| **"Authorised Oil and Gas Agency"** | The State's authorised agency in the area of oil and gas, acting on the instructions of the President and the Kazakh Government, currently, the MOG. |
| **"Base Value"** | Value set with regard to the market price of the GDRs at the date of grant of the option. |
| **"BTA"** | JSC BTA Bank (formerly known as JSC Bank TuranAlem) |
| **"BVI"** | British Virgin Islands |
| **"Chinarevskoye Field"** | The Chinarevskoye oil and gas condensate field |
| **"Claremont"** | Claremont Holdings C.V. |
| **"Claremont Subscription"** | The subscription by Claremont for 25,000,000 GDRs at a price of U.S.$4.00 per Common Unit pursuant to the Claremont Subscription Agreement. |
| **"Claremont Subscription Agreement"** | The conditional subscription agreement dated 29 July 2009 between Nostrum Oil & Gas LP, the General Partner and Claremont. |
| **"Claydon"** | Claydon Industrial Limited whose registered office is at Trident Chambers, Road Town, Tortola, British Virgin Islands. |

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| **"Clearstream"** | Clearstream Banking société anonyme |
| **"Common Units"** | Limited partner interests each representing a fractional part of the rights and obligations of all limited partners of Nostrum Oil & Gas LP. |
| **"Competent Authority"** | The State's central executive agency, designated by the Kazakh Government to act on behalf of the State to exercise rights relating to the execution and performance of subsoil use contracts, except for contracts for exploration and production of commonly occurring minerals. This was, until recently, the Ministry of Energy and Mineral Resources of Kazakhstan, which on 12 March 2010 was reorganised into the MOG with respect to the oil and gas industry. |
| **"Competition Law"** | The Kazakhstan Law "On Competition" (No 112-IV, dated 25 December 2008, which came into effect on 1 January 2009). |
| **"Controlling Legal Entity"** | A legal entity holding the subsoil use right, as well as a legal entity which may directly and/or indirectly determine and/or influence decisions adopted by a subsoil user, if the principal activity of such entity is related to subsoil use in the Republic of Kazakhstan. |
| **"Condensate-Holding"** | Condensate-Holding LLP |
| **"Cost Oil"** | Denotes an amount of crude oil produced in respect of which the market value is equal to Zhaikmunai LLP's monthly expenses that may be deducted pursuant to the PSA. |
| **"CSCES"** | The Kazakhstan Committee on State Control of Emergency Situations and Industry Safety (under the Ministry of Emergency Situations). |
| **"Development Plan"** | The Group's future drilling and infrastructure plans as more fully described in "*Business—Subsoil License and Permits—The License and the PSA—Development Plan*". |
| **"Directors"** or **"Board"** | The directors of the General Partner |
| **"Disclosure and Transparency Rules"** | The disclosure rules and transparency rules of the FCA and forming part of the FCA's Handbook of rules and guidance. |
| **"Distribution Compliance Period"** | 40-day distribution compliance period (as defined under Regulation S under the Securities Act). |
| **"DTC"** | The Depository Trust Company |
| **"EBIT"** | Earnings before interest and tax |
| **"EBITDA"** | Earnings before interest, taxes, depreciation and amortisation |
| **"ED Resolution"** | Resolution of the Kazakh Government "On Export Customs Duties on Crude Oil and Commodities Produced of Oil" (No. 1036, dated 15 October 2005 as amended) |
| **"EEA"** | European Economic Area |
| **"Environmental Code"** | The Kazakhstan Environment Code (No 212-III, dated 9 January 2007, as amended) |
| **"Euroclear"** | Euroclear Bank SA/NV |

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| **"Exchange Act"** | The United States Securities Exchange Act of 1934, as amended |
| **"Executive Services Agreement"** | The services agreement between Nostrum Oil & Gas Group Limited and Zhaikmunai Netherlands B.V. dated 1 September 2008 as amended and restated on 17 September 2009 for the provision of individual consultancy services to Nostrum Oil & Gas Group Limited and its subsidiaries. |
| **"Exploration Permit"** | The geological allotment (Annex to the Licence) issued by the Competent Authority to Zhaikmunai LLP. |
| **"FCA"** | UK Financial Conduct Authority |
| **"FEED"** | Front end engineering design |
| **"FIA"** | Ferrostaal Industrieanlagen GmbH |
| **"Financial Services Authority"** or **"FSA"** | The Financial Services Authority of the United Kingdom |
| **"FSMA"** | The Financial Services and Markets Act 2000 (as amended) |
| **"Gas Law"** | The Law on Gas and Gas Supply No.532-IV dated 9 January 2012 |
| **"Guarantee"** | A full and unconditional guarantee, subject to local law limitations, of the Notes by the Guarantors. |
| **"Guarantors"** | Collectively, the guarantors of the Notes, being Nostrum Oil & Gas LP, Zhaikmunai Netherlands B.V., Nostrum Oil Coöperatief U.A., Probel Capital Management N.V., Probel Capital Management UK Limited, Claydon Industrial Limited, Jubilata Investments Limited, Condensate-Holding LLP, Zhaikmunai Finance B.V., Zhaikmunai International B.V. and Zhaikmunai LLP. Each Guarantor, other than Nostrum Oil & Gas LP, the Group's holding company, is a wholly-owned subsidiary of the Group. |
| **"GDRs"** | The global depositary receipts of Nostrum Oil & Gas LP |
| **"General Partner"** | Nostrum Oil & Gas Group Limited in its capacity as general partner of Nostrum Oil & Gas LP |
| **"Group"** | Nostrum Oil & Gas LP and, as the context requires, its direct and indirect consolidated subsidiaries |
| **"ICTA"** | Income and Corporation Tax Act 1988 |
| **"IFRS"** | International Financial Reporting Standards |
| **"Independent Director"** | The independent directors of the General Partner as defined in the Articles of Association of the General Partner. |
| **"Initial Purchasers"** | Citigroup Global Markets Limited, ING Bank N.V., London Branch, JSC Halyk Finance, SIB (Cyprus) Limited and VTB Capital plc. |
| **"Investor"** | An affiliate of funds managed by Baring Vostok Capital Partners Limited. |
| **"IOB"** | London Stock Exchange's International Order Book. |
| **"Issuer"** | Nostrum Oil & Gas Finance B.V. |

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| **“Jubilata”** | Jubilata Investments Limited whose registered office is at Trident Chambers, Road Town, Tortola, British Virgin Islands. |
| **“Kazakh Government”** | The government of Kazakhstan |
| **“Kazakhstan”** | The Republic of Kazakhstan |
| **“KASE”** | Kazakhstan Stock Exchange |
| **“KPO”** | Karachaganak Petroleum Operations |
| **“KSS”** | JSC OGCC KazStroyService |
| **“KSS Global”** | KazStroyService Global B.V. |
| **“KSS Group”** | KSS Global and its Affiliates |
| **“KAZTRANSOIL”** | JSC KazTransOil (a subsidiary of NC KazMunaiGas) |
| **“Kyoto Protocol”** | The Kyoto Protocol to the United Nations Framework Convention on Climate Change. |
| **“Licence”** | Licence series MG No. 253-D (Oil) issued to Zhaikmunai LLP by the Government on 26 May 1997. |
| **“Licence Holder”** | Zhaikmunai LLP |
| **“Licencing Law”** | The Kazakhstan Law “On Licensing” (No. 214-III, dated 11 January 2007, as amended) |
| **“Listing Particulars”** | Application has been to the Irish Stock Exchange for the approval of this Offering Memorandum, referred to as the Listing Particulars. |
| **“Listing Rules”** | The rules and regulations made by the FCA pursuant to Part IV FSMA, as amended from time to time. |
| **“London Stock Exchange”** or **“LSE”** | London Stock Exchange plc |
| **“MEWR”** | The Kazakhstan Ministry of Environment and Water Resources. |
| **“MINT”** | The Kazakhstan Ministry of Industry and New Technologies. |
| **“MOG”** | The Ministry of Oil and Gas of Kazakhstan, the State’s central executive agency, acting based upon its Regulations approved by the Resolution of the Government (No. 454, dated 20 May 2010), which is currently the Competent Authority in oil and gas and the Authorised Oil and Gas Agency. |
| **“NBK”** | National Bank of the Republic of Kazakhstan |
| **“NC KMG”** | JSC National Company KazMunayGas |
| **“New Subsoil Law”** | The most recent Kazakhstan Law “On Subsoil and Subsoil Use” (No. 291-IV, dated 24 June 2010) |
| **“Nostrum”** | Nostrum Oil & Gas LP having its principal place of business at Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands. |
| **“Nostrum Oil & Gas Group Limited”** | Nostrum Oil & Gas Group Limited having its principal place of business at Gustav Mahlerplein 23B, 1082 MS Amsterdam, The Netherlands. |

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| **"Offering"** | The issuance of the 6.375% Senior Notes due 2019 by the Issuer. |
| **"Old Subsoil Law"** | The Kazakhstan Law "On Subsoil and Subsoil Use" (No. 2828, dated 27 January 1996, as amended), replaced with the New Subsoil Law. |
| **"Order"** | The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 |
| **"Partnership"** | Nostrum Oil & Gas LP |
| **"Partnership Act"** | The Partnership Act 1909 of the Isle of Man |
| **"Partnership Agreement"** | The amended and restated limited partnership agreement in respect of Nostrum Oil & Gas LP dated 29 November 2013 amongst the General Partner and the limited partners stated therein. |
| **"Personnel Agreement"** | The service agreement for the provision of personnel between Amersham Oil LLP and Zhaikmunai LLP dated 1 January 2009. |
| **"PRMS"** | 2007 Petroleum Resources Management System, which are a set of definitions and guidelines designed to provide a common reference for the international petroleum industry, sponsored by the Society for Petroleum Engineers, the American Association of Petroleum Geologists, World Petroleum Council and the Society for Petroleum Evaluation Engineers. |
| **"Probel"** | Probel Capital Management N.V. |
| **"Production Permit"** | The mining allotment (Annex to the Licence), issued by the Competent Authority to Zhaikmunai LLP. |
| **"Profit Oil"** | Profit Oil is the difference between Cost Oil and the total amount of crude oil produced each month, which is shared between the State and Zhaikmunai LLP. |
| **"Prolag"** | Prolag BVBA |
| **"Prospectus Directive"** | Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, including any relevant implementing measure in each Relevant Member State. |
| **"PSA"** | Contract for additional exploration, production and production sharing of crude oil hydrocarbons in the Chinarevskoye oil and gas condensate field in the West-Kazakhstan oblast No. 81, dated October 31, 1997, as amended, between Zhaikmunai LLP and the Competent Authority (currently the MOG), representing Kazakhstan. |
| **"PSA Law"** | Kazakhstan Law No. 68-III "On Production Sharing Agreements for Conducting Offshore Petroleum Operations", dated 8 July 2005. |
| **"QIB"** | A qualified institutional buyer as defined in Rule 144A. |
| **"RSA"** | The New Hampshire Revised Statutes of the State of New Hampshire, USA |
| **"Regulation S"** | Regulation S under the Securities Act. |
| **"Relationship Agreement"** | The relationship agreement between Nostrum Oil & Gas LP, Thyler, Nostrum Oil & Gas Group Limited and Claremont dated 28 March 2008. |
| **"Relevant Member State"** | A member state of the EEA which has implemented the Prospectus Directive. |

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| **"Rule 144A"** | Rule 144A under the Securities Act |
| **"Ryder Scott"** | Ryder Scott Company, LP, 621 Seventeenth Street, Suite 1550, Denver, Colorado, 80293, USA. |
| **"Saipem"** | Saipem S.p.A. |
| **"Scoulton"** | Scoulton Holdings Limited of registered address Trident Chambers, Road Town, Tortola, British Virgin Islands. |
| **"SEC"** | The United States Securities and Exchange Commission |
| **"Securities Act"** | The United States Securities Act of 1933, as amended |
| **"State"** | Kazakhstan |
| **"State Acceptance Commission"** | The State Acceptance Commission of the Republic of Kazakhstan which is the competent body authorised to, among other things, confirm that permanent operations can commence for certain facilities, including the gas treatment facility. |
| **"State Share"** | The share of hydrocarbon production due (in cash or kind) to Kazakhstan under the PSA. |
| **"Substitution"** | The ability for Zhaikmunai LLP to elect to undertake, upon satisfaction of certain conditions, to be substituted for the Issuer as Issuer of the Notes, whereupon it will assume all of the obligations of the Issuer under the Notes. |
| **"Takeover Code"** | The UK City Code on Takeovers and Mergers |
| **"TCO"** | A joint venture between Chevron Texaco, Exxon Mobil, Lukarco and NC KMG. |
| **"Tenge" or "KZT"** | The lawful currency of Kazakhstan |
| **"Thyler"** | Thyler Holdings Limited of registered address Trident Chambers, Road Town, Tortola, British Virgin Islands. |
| **"UK Corporate Governance Code"** | The UK Code of Corporate Governance, a set of principles of good corporate governance which provides a code of best practice aimed at companies listed on the London Stock Exchange. |
| **"UNGG"** | AO Uralskneftegazgeologia |
| **"U.S. Dollars"** or **"U.S.$"** | The lawful currency of the United States of America |
| **"U.S. person"** | Has the meaning given to such term in Regulation S of the Securities Act. |
| **"Water Code"** | The Water Code of Kazakhstan (No. 481, dated 9 July 2003, as amended) |
| **"WUP"** or **"Water Use Permit"** | The permit granted by the relevant Government authority with respect to water use pursuant to the Water Code. |

## GLOSSARY OF TECHNICAL AND OTHER TERMS

The following are definitions of certain oil and gas terms and abbreviations used in this Offering Memorandum:

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| **"3-D seismic survey"** | Seismic survey that is acquired, processed and interpreted to yield a three-dimensional picture of the subsurface. |
| **"API"** | An indication of density of crude oil or other liquid hydrocarbons as measured by a system recommended by the American Petroleum Institute, API, measured in degrees relative to the specific gravity scale. The higher the API gravity measure, the lighter the compound. |
| **"associated gas"** | Gas, which occurs in crude oil reservoirs in a gaseous state. |
| **"bbl"** | Abbreviation for barrel, which is 42 US gallons. |
| **"boe"** | Barrels of crude oil equivalent. |
| **"bopd"** | Barrels of crude oil per day. |
| **"boepd"** | Barrels of crude oil equivalent per day. |
| **"contingent resources"** | Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies. |
| **"DAF"** | Sales made on delivery at frontier terms. |
| **"DAP"** | Sales made on delivery at place terms. |
| **"FCA"** | Sales made under free carrier terms. |
| **"FCA Uralsk"** | Sales made under free carrier terms according to which Zhaikmunai LLP delivers to the terminal in Uralsk and transportation risk and risk of loss are transferred to the buyer after delivery to the carrier. |
| **"field"** | An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structure feature and/or stratigraphic condition. |
| "**Financial Adviser**" | Mirabaud Securities LLP |
| **"FOB"** | Sales made under free on board terms. |
| **"gas"** | Petroleum that consists principally of light hydrocarbons. It can be divided into lean gas, primarily methane but often containing some ethane and smaller quantities of heavier hydrocarbons (also called sales gas), and wet gas, primarily ethane, propane and butane as well as smaller amounts of heavier hydrocarbons; partially liquid under atmospheric pressure. |
| **"gas condensate"** | The mixture of liquid hydrocarbons that results from condensation of petroleum hydrocarbons existing initially in a gaseous phase in an underground reservoir. |
| **"gross"** | Gross oil and gas wells or gross acres are the total number of wells or acres in which the Group has an interest, without regard to the size of that interest. |
| **"hydrocarbons"** | Compounds formed from the elements hydrogen (H) and carbon (C), which may be in solid, liquid or gaseous form. |

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| **“LPG”** | Liquefied petroleum gas. |
| **“m”** | Metre. |
| **“mboepd”** | Thousands of barrels of crude oil equivalent. |
| **“mmbbl”** | Millions of barrels. |
| **“mmboepd”** | Millions of barrels of crude oil equivalent. |
| **“oil”** | Crude oil and condensate. |
| **“operator”** | The individual or company responsible for conducting oil and gas exploration, development and production activities on an oil and gas lease or concession on its own behalf and, if applicable, for other working interest owners, generally pursuant to the terms of a joint operating agreement or comparable agreement. |
| **“petroleum”** | Hydrocarbons, whether solid, liquid or gaseous. The proportion of different compounds in a petroleum find varies from discovery to discovery. If a reservoir primarily contains light hydrocarbons, it is described as a gas field. If heavier hydrocarbons predominate, it is called an oil field. An oil field may feature free gas above the oil and contain a quantity of light hydrocarbons, also called associated gas. |
| **“possible reserves”** | Those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than probable reserves. |
| **“probable reserves”** | Those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves. |
| **“production well”** | A well that is producing oil or gas, or one that is capable of production. |
| **“prospective resources”** | Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations. |
| **“proved reserves”** | Those quantities of petroleum which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. |
| **“recovery”** | The second stage of hydrocarbon production during which an external fluid such as water or gas is injected into the reservoir to maintain reservoir pressure and displace hydrocarbons towards the wellbore. |
| **“reservoir”** | A porous and permeable underground formation containing a natural accumulation of producible oil and/or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs. |
| **“royalty”** | An interest in an oil and gas property entitling the owner to a share of oil or gas production free of costs of production. |
| **“seismic”** | The use of shock waves generated by controlled explosions of dynamite or other means to ascertain the nature and contour of underground geological structures. |

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| **“sidetrack well”** | A well or borehole that runs partly to one side of the original line of drilling. |
| **“SPE”** | Society of Petroleum Engineers. |
| **“tonne”** | Metric tonne. |
| **“workover”** | Routine maintenance or remedial operations on a producing well in order to maintain, restore or increase production. |

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