

OFFERING CIRCULAR DATED 30 October 2012



Premier Oil Finance (Jersey) Limited

(incorporated with limited liability in Jersey with registered number 97486)

US\$245,324,000

**2.5 per cent. Guaranteed Convertible Bonds due
2018 unconditionally and irrevocably guaranteed by**

Premier Oil plc

(incorporated with limited liability in Scotland with registered number SC234781)

and issued pursuant to the Exchange Offer (as defined herein)

Joint Dealer Managers

BARCLAYS

ROYAL BANK OF CANADA

This Offering Circular comprises listing particulars given in compliance with the listing rules made under Section 73A of the Financial Services and Markets Act 2000 (the “FSMA”) by the UK Listing Authority (the “UKLA”). Applications have been made for the US\$245,324,000 2.5 per cent. Guaranteed Convertible Bonds due 2018 (the “Bonds”) of Premier Oil Finance (Jersey) Limited (the “Issuer”) to be admitted to the Official List of the UKLA and to be admitted to trading on the Professional Securities Market of the London Stock Exchange plc (the “London Stock Exchange”). Premier Oil plc (the “Guarantor”) has undertaken to apply to have the Ordinary Shares issuable upon conversion of the Bonds admitted to the Official List of the UKLA and admitted to trading on an EEA Regulated Market of the London Stock Exchange. This Offering Circular is to be read in conjunction with all the documents which are incorporated by reference herein (see “*Presentation of Information – Documents incorporated by reference*”).

The Guarantor and its subsidiary undertakings are referred to in this Offering Circular as the “Group”. The Guarantor will unconditionally and irrevocably guarantee the due and punctual payment of all amounts at any time becoming due and payable in respect of the Bonds (the “Guarantee”).

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Offering Circular. The Issuer and the Guarantor confirm that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Neither the Issuer nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuer, the Guarantor, the Bonds, the Preference Shares or the Ordinary Shares other than as contained in this Offering Circular or as approved for such purpose by the Issuer and the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Guarantor or the Dealer Managers.

This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Guarantor, the Trustee or the Dealer Managers that any recipient of this Offering Circular should purchase, or otherwise acquire, any of the Bonds. Each investor contemplating purchasing, or otherwise acquiring, Bonds should make its own independent investigation of the financial condition and affairs of, and its own appraisal of the creditworthiness of, the Issuer and the Guarantor.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of the Bonds shall in any circumstances constitute a representation or create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the affairs or condition (financial or otherwise) of the Issuer or the Guarantor since the date of this Offering Circular or that the information contained in this Offering Circular is correct as at any time subsequent to its date.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Dealer Managers to subscribe or purchase, or otherwise acquire, any Bonds, Preference Shares or Ordinary Shares.

The Bonds, the Guarantee, the guarantee by way of deed poll provided by the Guarantor in respect of the Preference Shares, and the Ordinary Shares have not been, and will not be, registered under the US Securities Act of 1933 (the “Securities Act”). The Bonds are being offered outside the United States by the Dealer Managers in accordance with Regulation S under the Securities Act

(“Regulation S”), and may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Bonds will be in registered form and issued in the principal amounts of US\$200,000 and in integral multiples of US\$1,000 in excess thereof up to and including US\$299,000. The Bonds will be represented by a global bond in registered form (the “Global Bond”), without interest coupons, which will be deposited on or around the Closing Date with a common depositary for, and registered in the name of a common nominee of, Euroclear Bank S.A./N.V. (“Euroclear”) or Clearstream Banking, société anonyme (“Clearstream, Luxembourg”). The Global Bond will be exchangeable in certain limited circumstances in whole, but not in part, for definitive Bonds in registered form (“Definitive Registered Bonds”). See *“Summary of Provisions Relating to the Bonds in Global Form”*.

The distribution of this Offering Circular and the offering, sale and delivery of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Dealer Managers to inform themselves about and to observe any such restrictions. This Offering Circular does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. For a description of certain restrictions on offers, sales and deliveries of Bonds and on distribution of this Offering Circular and other offering material relating to the Bonds, see *“Subscription and Sale”*.

In connection with the offering of the Bonds, each of the Dealer Managers and/or its affiliates may act as an investor for its own account and may take up Bonds in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or the Guarantor or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Bonds being offered should be read as including any offering of the Bonds to the Dealer Managers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Each Dealer Manager has not separately verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealer Managers as to the accuracy or completeness of the information contained in this Offering Circular or any other information supplied in connection with the Bonds, the Preference Shares or Ordinary Shares. Each person receiving this Offering Circular acknowledges that such person has not relied on the Dealer Managers in connection with its investigation of the accuracy of such information or its investment decision and each person must rely on its own examination of the Issuer and the Guarantor and the merits and risks involved in investing.

The Jersey Financial Services Commission (the “Commission”) has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue of the Bonds by the Issuer and under Article 2 of the Control of Borrowing (Jersey) Order 1958 to the issue of the Preference Shares by the Issuer. The Commission has also given, and has not withdrawn, its consent under Article 1 of the Control of Borrowing (Jersey) Order 1958 to the Guarantor raising monies in Jersey by the issue of the Ordinary Shares and to the circulation in Jersey of this Offering Circular by the Guarantor. The Commission is protected by the Control of Borrowing (Jersey) Law 1947

against liability arising from the discharge of its functions under that Law. A copy of this Offering Circular has been delivered to the Jersey registrar of companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and the registrar has given, and not withdrawn, consent to its circulation. It must be distinctly understood that, in giving these consents, neither the Jersey registrar of companies nor the Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions expressed, with regard to it.

The investments described in this Offering Circular do not constitute a collective investment fund for the purpose of the Collective Investment Funds (Jersey) Law 1988, as amended, on the basis that they are investment products designed for financially sophisticated investors with specialist knowledge of, and experience of investing in, such investments, who are capable of fully evaluating the risks involved in making such investments and who have an asset base sufficiently substantial as to enable them to sustain any loss that they might suffer as a result of making such investments. These investments are not regarded by the Commission as suitable investments for any other type of investor.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;**
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;**
- (iii) understand thoroughly the terms of the Bonds and be familiar with the behaviour of financial markets in which they participate; and**
- (iv) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.**

Any individual intending to invest in any investment described in this Offering Circular should consult his or her professional adviser and ensure that he or she fully understands all the risks associated with making such an investment and has sufficient financial resources to sustain any loss that may arise from it.

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PRESENTATION OF INFORMATION

Presentation of financial information

The Guarantor is obliged to prepare consolidated financial statements for the Group in accordance with International Financial Reporting Standards.

Unless otherwise indicated, the audited financial information as at and for the years ended 31 December 2010 and 2011 in this Offering Circular has been extracted without material adjustment from the Guarantor's 2011 Annual Report.

Documents incorporated by reference

This Offering Circular should be read and construed in conjunction with:

- (i) the Guarantor's Annual Reports for the years ended 31 December 2010 and 2011 (each an "Annual Report" and, together, the "Annual Reports");
- (ii) the Guarantor's 2012 Half-Yearly Report for the six months to 30 June 2012 (the "2012 Half-Yearly Report"); and
- (iii) audited financial statements of the Issuer for the years ended 31 December 2010 and 2011 (the "Issuer's 2010 and 2011 Financial Statements"),

which have been filed with the National Storage Mechanism at www.morningstar.co.uk/uk/NSM and which, in the case of the Annual Reports and the 2012 Half-Yearly Report, are available on the Guarantor's website at www.premier-oil.com. Such documents shall be incorporated in, and form part of this Offering Circular, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Where documents incorporated by reference themselves incorporate information by reference, such information does not form part of this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular may be obtained (without charge) from the registered office of the Guarantor.

Currencies

In this Offering Circular, (i) references to "euro" or "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended; (ii) references to "pounds sterling" or "£" are to the lawful currency of the United Kingdom of Great Britain and Northern Ireland (the "United Kingdom"); and (iii) references to "US Dollars" or "US\$" are to the lawful currency of the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia (the "United States").

Unless otherwise indicated, the financial information contained in this Offering Circular has been expressed in US Dollars.

Presentation of reserves and other data

The Guarantor reports oil and gas reserve statistics in the Annual Reports which are incorporated by reference in this Offering Circular. Proven and probable reserves in the Annual Reports and this Offering Circular are based on internal estimates and are defined in accordance with the “Statement of Recommended Practice” issued by the Oil Industry Accounting Committee dated July 2001.

The Guarantor categorises petroleum resources in accordance with the 2007 SPE/WPC/AAPG/SPEE/ Petroleum Resource Management System published by the Society of Petroleum Engineers (“SPE PRMS”).

Reserves and resources cannot be measured exactly since estimation of reserves and resources involves subjective judgment. Accordingly, all estimates are subject to revision.

Forward-looking statements

Certain statements contained in this Offering Circular are forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “intends”, “may”, “will” or “should” or in each case, their negative, or other variations or comparable terminology. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, among other things, general economic and business conditions, industry trends, competition, changes in government regulation, currency fluctuations, the Group’s ability to recover its reserves or develop new reserves and to implement its expansion plans and achieve cost reductions and efficiency measures, changes in business strategy or development, political and economic uncertainty and other risks described in “Risk Factors”. There can be no assurance that the results and events contemplated by the forward-looking statements contained in this Offering Circular will, in fact, occur.

These forward-looking statements speak only as at the date of this Offering Circular. The Guarantor will not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this Offering Circular except as required by law or by any appropriate regulatory authority.

OVERVIEW OF THE OFFERING

The following overview refers to certain provisions of the Terms and Conditions of the Bonds, the Guarantee, the Preference Shares, the Ordinary Shares and the Trust Deed and is qualified by the more detailed information contained elsewhere in this Offering Circular. Terms which are defined in “Terms and Conditions of the Bonds” have the same meaning when used in this overview.

Issuer Premier Oil Finance (Jersey) Limited.

Guarantor Premier Oil plc.

Bonds US\$245,324,000 2.5 per cent. Guaranteed Convertible Bonds due 2018.

The Offering – Exchange Offer The Bonds are being issued in exchange for 2014 Bonds pursuant to an exchange offer made to holders of the 2014 Bonds (the “Exchange Offer”) the terms and conditions of which were set out in the exchange offer memorandum dated 19 October 2012 (the “Exchange Offer Memorandum”).

The Issuer undertook the Exchange Offer because it desired to retain convertible bonds as a proportion of its capital structure and the Exchange Offer provided an effective way for it to extend the maturity date of its outstanding convertible bonds (the 2014 Bonds have a maturity date of 27 June 2014) by issuing longer dated convertible bonds and thereby provide the Group with the additional financial flexibility this affords and at the same time to (i) reduce the coupon payable as compared to the coupon payable on the 2014 Bonds (the coupon on the 2014 Bonds is 2.875 per cent per annum) and (ii) increase the exchange price applicable to the Bonds (the exchange price applicable to the 2014 Bonds is US\$6.69 (based on a fixed exchange rate)).

On 29 October 2012, the Issuer announced that it would accept all valid offers of the 2014 Bonds for exchange which amounts to US\$245,324,000 and that accordingly the corresponding amount of Bonds to be issued pursuant to the Exchange Offer is US\$245,324,000.

The Bonds are being offered outside the United States in accordance with Regulation S under the United States Securities Act of 1933.

Following completion of the Exchange Offer, the Issuer is intending to exercise its right to redeem any outstanding 2014 Bonds at their principal amount together with accrued interest to the date of redemption in accordance with condition 9(b) of the terms and conditions of the 2014 Bonds.

Issue Date 1 November 2012.

Final Maturity	Unless previously purchased and cancelled, redeemed or converted, the Bonds will be redeemed on 27 July 2018 (the “Final Maturity Date”) at their principal amount.
Form and Denomination	The Bonds will be in registered form and issued in the principal amounts of US\$200,000 and integral multiples of US\$1,000 in excess thereof up to and including US\$299,000. The Bonds will be represented by a global bond in registered form (the “Global Bond”), without interest coupons, which will be deposited on or around the Closing Date with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg. The Global Bond will be exchangeable in certain limited circumstances in whole, but not in part, for definitive registered Bonds.
Interest	The Bonds bear interest from and including 1 November 2012 (the “Closing Date”) at 2.5 per cent. per annum, accrued interest being payable semi-annually in arrear on 27 January and 27 July each year, commencing on 27 January 2013. The first payment of interest, amounting to US\$1,194.44 per US\$200,000 principal amount of the Bonds, will be in respect of a short Interest Period beginning on and including the Closing Date and ending on but excluding 27 January 2013. Thereafter, for each successive period from and including an Interest Payment Date to but excluding the next Interest Payment Date, an amount of US\$2,500 per US\$200,000 principal amount of the Bonds will be paid.
Status of the Bonds	The Bonds constitute senior, unsubordinated, direct, unconditional and (subject to Condition 3) unsecured obligations of the Issuer and rank <i>pari passu</i> without preference among themselves. The obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3, at all times rank at least equally with all its present and future unsecured and unsubordinated obligations.
Yield	2.23 per cent. running yield based on the mid point of the price of the 2014 Bonds and the price of the Ordinary Shares in each case as at market close on 26 October 2012. The running yield is not an indication of future yield.
Guarantee of the Bonds	The Guarantor will in the Trust Deed unconditionally and irrevocably guarantee the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Bonds and the due and punctual performance by the Issuer of all of the Issuer’s other obligations in respect of the Bonds.
Status of the Guarantee	The Guarantee will constitute an unsubordinated, direct, unconditional and (subject to Condition 3) unsecured obligation of the Guarantor and shall, save for such exceptions as may be provided by applicable law and subject to Condition 3, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Negative Pledge	So long as any Bond remains outstanding, the Issuer and the Guarantor will not, and the Guarantor will not permit any of its Material Subsidiaries to, create or permit to subsist any Security upon the whole or any part of their respective undertakings, assets or revenues, present or future, to secure any Relevant Debt, or any guarantee of or indemnity in respect of any Relevant Debt, as the case may be, subject to the exceptions in Condition 3. See “ <i>Terms and Conditions of the Bonds – Negative Pledge</i> ”.
Cross Acceleration	The Bonds will contain a cross acceleration provision, subject to a threshold of US\$20,000,000, as further described in “ <i>Terms and Conditions of the Bonds – Events of Default</i> ”.
Other Events of Default	For a description of certain other events that will permit the Bonds to become immediately due and payable at their principal amount, together with accrued interest, see “ <i>Terms and Conditions of the Bonds – Events of Default</i> ”.
Redemption at the Option of the Issuer	The Bonds may be redeemed at the option of the Issuer in whole (but not in part only) at their principal amount together with accrued interest to the date fixed for redemption (i) at any time on or after 11 August 2016 if on each of not less than 20 dealing days in any period of 30 consecutive dealing days ending not earlier than 14 days prior to the date on which the relevant notice of redemption is given to Bondholders, the value of the Ordinary Shares deliverable on conversion of a Bond in the principal amount of US\$200,000 would exceed US\$260,000; (ii) at any time if prior to the date on which the relevant notice of redemption is given to Bondholders, Exchange Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 85 per cent. or more in principal amount of the Bonds originally issued; or (iii) at any time within the period of 45 days after the end of the Relevant Event Period, in each case as set out in “ <i>Terms and Conditions of the Bonds – Redemption at the Option of the Issuer</i> ”.
Redemption at the Option of Bondholders	The Issuer will, at the option of the holder of any Bond, redeem such Bond at its principal amount together with interest accrued to the date fixed for redemption following the occurrence of a Relevant Event on the Relevant Event Put Date, subject to the relevant notice provisions as set out in “ <i>Terms and Conditions of the Bonds – Redemption at the Option of Bondholders</i> ”.
Taxation	All payments in respect of the Bonds by or on behalf of the Issuer or the Guarantor shall be made without withholding or deduction for any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of Jersey or the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or the Guarantor shall not be required to pay any additional amounts to Bondholders to compensate for such withholding or deduction.
Exchange Right	Unless previously redeemed or purchased and cancelled, each Bond will be convertible, at the option of the holder, into Preference Shares of the Issuer

	<p>during the Exchange Period. Each US\$1,000 principal amount of a Bond is convertible into one Preference Share with a Paid-up Value of US\$1,000. The Preference Shares arising on conversion of the Bonds will be delivered to the Guarantor in consideration for which the Guarantor will issue Ordinary Shares. The number of Ordinary Shares to be issued will be determined by dividing the aggregate Paid-up Value of the Preference Shares issued on conversion of the Bonds (translated into pounds sterling at the fixed rate of exchange of US\$1.6134 = £1.00) by the Exchange Price in effect on the relevant Exchange Date, and if necessary rounding down to the nearest whole number of Ordinary Shares. See “<i>Terms and Conditions of the Bonds – Exchange</i>”.</p>
Exchange Period	<p>The period beginning on and including 12 December 2012 and ending on and including the earlier to occur of:</p> <ol style="list-style-type: none"> (1) the close of business on the date falling six days prior to the Final Maturity Date; (2) if the Bonds shall have been called for redemption by the Issuer before the Final Maturity Date, the close of business on the day which is six days before the date fixed for redemption; and (3) if a notice requiring redemption shall have been given by any Bondholder, the close of business on the day prior to giving such notice.
Exchange Price	£4.34 per Ordinary Share, subject to adjustment in accordance with the Articles of the Issuer.
Exchange Price upon Change of Control	In the event of a change of control constituting a Relevant Event, the Exchange Price will be adjusted downwards for a specified period as described in the Articles of the Issuer.
Ordinary Shares	The Ordinary Shares to be delivered following conversion and delivery of the Preference Shares to the Guarantor will be delivered credited as fully paid, having, on the date hereof, a nominal value of £0.125 each and will rank <i>pari passu</i> in all respects with all fully paid Ordinary Shares in issue on the relevant Exchange Date, save as provided in “ <i>Terms and Conditions of the Bonds</i> ”.
Preference Shares	B Preference Shares of the Issuer will be issued upon conversion of the Bonds with a Paid-up Value of US\$1,000 in respect of each US\$1,000 principal amount of Bonds converted.
Lock Up	The Issuer and the Guarantor have, subject to certain exceptions, agreed not to issue or sell Ordinary Shares or certain related securities for a limited period after the Closing Date. See “ <i>Subscription and Sale</i> ” below.

Trustee	Deutsche Trustee Company Limited.
Principal Paying, Transfer and Exchange Agent	Deutsche Bank AG, London Branch.
Registrar	Deutsche Bank Luxembourg S.A.
Governing Law	The Bonds and the Trust Deed, and any non-contractual obligations arising out of or in connection with it, will be governed by English law.
Listing and Trading	Applications have been made for the Bonds to be admitted to the Official List of the UKLA and to trading on the Professional Securities Market of the London Stock Exchange. The offering and settlement of the Bonds is not conditional upon obtaining such listing. The Guarantor has undertaken to apply to have the Ordinary Shares issuable upon conversion of the Bonds admitted to listing on the Official List of the UKLA and admitted to trading on an EEA Regulated Market of the London Stock Exchange.
Clearing	<p>The Bonds have each been accepted for clearing by Euroclear and Clearstream, Luxembourg. The Bonds have the following Common Code and International Securities Identification Number (“ISIN”):</p> <p>Common Code 084902187</p> <p>ISIN: XS0849021877</p>
Selling Restrictions	There are restrictions on the offer, sale and delivery of the Bonds, <i>inter alia</i> , in the United States and the United Kingdom. See “ <i>Subscription and Sale</i> ”.

RISK FACTORS

Prospective investors should consider carefully the risks set forth below and the other information contained in this Offering Circular prior to making any investment decision with respect to the Bonds. Each of the risks highlighted below could have a material adverse effect on the business, operations, financial condition or prospects of the Issuer or the Guarantor, which, in turn, could have a material adverse effect on the amount of principal and interest which investors will receive in respect of the Bonds. In addition, each of the risks highlighted below could adversely affect the trading price of the Bonds or the Ordinary Shares or the rights of investors under the Bonds or the Ordinary Shares and, as a result, investors could lose some or all of their investment.

Prospective investors should note that the risks described below are not the only risks the Issuer and the Guarantor face. Each of the Issuer and the Guarantor has described only those risks relating to its operations that it considers to be material. There may be additional risks that they currently consider not to be material or of which they are not currently aware, and any of these risks could have the effects set forth above.

Prospective investors should read the entire Offering Circular, together with the documents incorporated by reference herein. Words and expressions defined in the “Terms and Conditions of the Bonds” below or elsewhere in this Offering Circular have the same meanings in this section.

Investing in the Bonds involves certain risks. Prospective investors should consider, among other things, the following:

Risks relating to the Group

1. Reserves replacement

Future oil and gas production will depend on the Group's access to new reserves through exploration, negotiations with governments and other owners of known reserves, and acquisitions. Failures in exploration or in identifying and finalising transactions to access potential reserves could slow the Group's oil and gas production growth and replacement of reserves. This, in turn, could have an adverse effect on the business, prospects, results of operations and financial position of the Group.

In addition, the results of appraisal of discoveries are uncertain and may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but uneconomic to develop and it may not be possible to convert petroleum resources into oil and gas reserves. Appraisal and development activities may be subject to delays in obtaining governmental approvals or consents, shut-ins of connected wells, insufficient storage or transportation capacity or other geological and mechanical conditions all of which may variously increase the Group's costs of operations.

For example, if the Group was unable to take the interests in the offshore production licences in the Falkland Islands that it has acquired from Rockhopper Exploration plc ("**Rockhopper**") and which include the Sea Lion development into production and economic development this would be likely to slow the Group's oil and gas production growth and replacement of reserves and could have an adverse effect on the business, prospects, results of operations and financial position of the Group.

The Group has approximately 100 exploration licences worldwide and within these there is a ongoing evaluation process whereby identified exploration opportunities are progressed. In

particular exploration activities are currently underway in the United Kingdom (Spaniards East, Cyclone, Lacewing, Bonneville and Norfolk), Norway (Luno II and Skarfjell appraisal), Vietnam (Ca Voi), Indonesia (Matang), Pakistan (K-32 and Badhra South Deepening-1), Kenya and Mauritania. Exploration activities are capital intensive and inherently uncertain in their outcome. There is therefore a risk that the Group will undertake exploration activities and incur significant costs in so doing with no assurance that such expenditure will result in the discovery of hydrocarbons, whether or not in commercially viable quantities. If exploration activities prove unsuccessful over a prolonged period of time, the Group may have to reduce the number of its exploration programmes, which could adversely impact on the Group's oil and gas production growth and replacement of reserves. This, in turn, could have an adverse effect on the business, prospects, results of operations and financial position of the Group.

2. Estimation of reserves, resources and production profiles

The estimation of oil and gas reserves, and their anticipated production profiles, involves subjective judgments and determinations based on available geological, technical, contractual and economic information. They are not exact determinations. In addition, these judgments may change based on new information from production or drilling activities or changes in economic factors, as well as from developments such as acquisitions and dispositions, new discoveries and extensions of existing fields and the application of improved recovery techniques. Published reserve estimates are also subject to correction for errors in the application of published rules and guidance.

The reserves, resources and production profile data contained in this Offering Circular are estimates only and should not be construed as representing exact quantities. They are based on production data, prices, costs, ownership, geophysical, geological and engineering data, and other information assembled by the Group. The estimates may prove to be incorrect and potential investors should not place undue reliance on the forward-looking statements contained in this Offering Circular concerning the Group's reserves and resources or production levels.

If the assumptions upon which the estimates of the Group's hydrocarbon reserves, resources or production profiles have been based prove to be incorrect, the Group may be unable to recover and produce the estimated levels or quality of hydrocarbons set out in this Offering Circular and the Group's business, prospects, financial condition or results of operations could be materially adversely affected.

3. Business acquisitions and farm-ins - integration and other issues

Part of the Group's strategy is to increase oil and gas reserves through strategic business acquisitions and farm-ins. Risks commonly associated with acquisitions of companies or businesses or farm-ins include the potential difficulty and/or delay in procuring third party consents required, the difficulty of integrating the operations and personnel of the acquired business, problems with minority shareholders in acquired companies or with other field participants or co-venturers, the difficulty of securing the services of suitably qualified personnel to manage the acquired businesses or interests, the potential disruption of the Group's own business, the possibility that indemnification agreements with the sellers may be unenforceable or insufficient to cover potential liabilities and difficulties arising out of integration. Furthermore, the value of any business the Group acquires or invests in or farm-in that it makes may be less than the amount it pays. Any of these matters could have a material adverse impact on the Group's business, prospects, financial condition or results of operations.

The Group has been able to successfully integrate previous acquisitions that it has made such as the acquisition of Oilexco North Sea Limited in 2009 which included the acquisition of a number of operated and non-operated interests in the North Sea. It is in the process of assembling a suitably qualified team to support the senior team it already has in place to manage the interests it has acquired in the Falkland Islands which include the Sea Lion development and, were it unable to do this, this could have a material adverse impact on the Group's business, prospects, financial condition or results of operations.

4. Currency fluctuations and exchange controls

The Group operates in a number of different countries and territories throughout the world and currently has interests in ten countries. The Group is subject to risks from changes in currency values and exchange controls. Changes in currency values and exchange controls could have an adverse effect on the Group's results of operations and financial position.

5. Competition

The Group operates in a very challenging business environment and competition for access to exploration acreage, gas markets, oil services and rigs, technology and processes, and human resources is intense. Competitors include companies with, in many cases, greater financial resources, local contacts, staff and facilities than those of the Group. Competition for exploration and production licences as well as other regional investment or acquisition opportunities may increase in the future. This may lead to increased costs in the carrying on of the Group's activities and reduced available growth opportunities. Any failure by the Group to compete effectively could adversely affect the Group's business, prospects, results of operations and financial condition.

6. Third Party contractors and providers of capital equipment

The Group has an interest in contracts or leases, services and capital equipment from Third Party providers. Such equipment and services can be scarce and may not be readily available at the times and places required. In addition, the costs of Third Party services and equipment have increased significantly over recent years and may continue to rise. Scarcity of equipment and services and increased prices may, in particular, result from any significant increase in regional exploration and development activities which in turn may be the consequence of increased or continued high prices for oil or gas. The scarcity of such equipment and services, as well as their potentially high cost, could delay, restrict or lower the profitability and viability of the Group's projects and therefore have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

7. Production

The delivery of the Group's production plans depends on the successful continuation of existing field production operations and the development of key projects. Both of these involve risks normally incidental to such activities including blowouts, oil spills, explosions, fires, equipment damage or failure, natural disasters, geological uncertainties, unusual or unexpected rock formations, abnormal pressures, availability of technology and engineering capacity, availability of skilled resources, maintaining project schedules and managing costs, as well as technical, fiscal, regulatory, political and other conditions. Such potential obstacles may impair the Group's continuation of existing field production and delivery of key projects and, in turn, the Group's operational performance and

financial position (including the financial impact from failure to fulfil contractual commitments related to project delivery).

The Group may face interruptions or delays in the availability of infrastructure, including pipelines and storage tanks, on which exploration and production activities are dependent. The production performance of the reservoirs and wells may also be different from that forecast due to normal geological or mechanical uncertainties. Such interruptions, delays or performance differences could result in disruptions or changes to the Group's existing production and projects, lower production and increased costs, and may have an adverse effect on the Group's business, prospects, results of operations and financial condition.

In addition, marketing demands, which tend to be seasonal, may reduce or delay production from wells. The marketability and price of oil and gas that may be acquired or discovered by the Group will be affected by numerous factors beyond the control of the Group. The ability of the Group to market its oil or gas may also depend upon its ability to acquire space in pipelines that deliver oil or gas to commercial markets. Such factors could result in disruptions or changes to the Group's existing production and projects and, in turn, the Group's operational performance and financial position.

Furthermore, the explosion and sinking in April 2010 of the Deepwater Horizon oil rig during operations on the Macondo exploration well in the Gulf of Mexico, and the resulting oil spill, may have increased certain of the risks faced by those drilling for oil in deepwater regions, including the following: increased industry standards, governmental regulation and enforcement of the operations of the Group and those of the Group's industry in a number of areas, including health and safety, financial responsibility, environmental, licensing, taxation, equipment specifications and training requirements; increased difficulty or delays in obtaining rights to drill wells in deepwater regions; higher operating costs; higher insurance costs and increased potential liability thresholds under environmental laws; decreased access to appropriate equipment, personnel and infrastructure in a timely manner; higher capital costs as a result of any increase to the risks the Group or the oil and gas industry face; and less favourable investor perception of the risk-adjusted benefits of deepwater offshore drilling. Although the Group is not undertaking any deepwater drilling activity as at the date of this Offering Circular, in common with other participants in the oil and gas industry, the Group has seen its business affected by the events in the Gulf of Mexico including by way of increases in insurance costs, more extensive requirements for the testing of equipment, more complex procurement processes and increased safety vigilance. The occurrence of any of the factors mentioned in this paragraph, or the continuation thereof, could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

8. Health, Safety, Environment and Security ("HSES")

The range of the Group's operated and joint venture production operations globally means that the Group's HSES risks cover a wide spectrum. These risks include major process safety incidents; failure to comply with approved policies; effects of natural disasters and pandemics; social unrest; civil war and terrorism; exposure to general operational hazards; personal health and safety; and crime. The consequences of such risks materialising can be injuries, loss of life, environmental harm and disruption to business activities. Depending on cause and severity, the materialisation of such risks may materially affect the Group's reputation, business, prospects, results of operations and financial condition.

In addition, failure by the Group to comply with applicable legal requirements or recognised international standards may give rise to significant liabilities. HSES laws and regulations may over time become more complex and stringent or the subject of increasingly strict interpretation or enforcement. The terms of licences may include more stringent HSES requirements. The obtaining of exploration, development or production licences and permits may become more difficult or be the subject of delay by reason of governmental, regional or local environmental consultation, approvals or other considerations or requirements. These factors may lead to delayed or reduced exploration, development or production activity as well as to increased costs.

9. Reputation

It is important for maintaining the Group's licences to operate and ability to secure new resources that the Group should maintain strong and positive relationships with the governments and communities in the countries where its business is conducted. The Group's business principles govern how the Group conducts its affairs. Failure - real or perceived - to follow these principles, or the materialisation of any of the risk factors described in this Offering Circular, could harm the Group's reputation, which could, in turn, impact the Group's licence to operate, financing and access to new opportunities.

10. Human resources

The Group's key human resources are essential for the successful delivery of projects and continuing operations. Loss of personnel to competitors or inability to attract quality human resources could affect the Group's operational performance, business, prospects, results of operations and financial condition.

11. Hydrocarbon prices

Historically, hydrocarbon prices have been subject to large fluctuations in response to a variety of factors beyond the Group's control. Factors that influence these fluctuations include operational issues, natural disasters, weather, political instability or conflicts, economic conditions or actions by major oil-exporting countries. Price fluctuations can affect the Group's business assumptions, investment decisions and financial position. In particular, lower hydrocarbon prices may reduce the economic viability of the Group's projects, result in a reduction in revenues or net income, impair the Group's ability to make planned expenditures and could materially adversely affect the Group's business, prospects, results of operations and financial condition.

12. Current and future financing

The Group may require new financing to refinance certain of its existing facilities which will need to be refinanced in 2015. As at 30 June 2012, these facilities had an aggregate principal amount of approximately £778 million. The Group may also require additional financing to fund future exploration and development plans to which the Group is not currently committed.

The financing required for the purposes described above may not be available or, if available, may not be available on favourable terms. The ability of the Group to arrange such financing in the future will depend in part upon the prevailing capital market conditions, as well as the business performance of the Group. If adequate funds are not available, or are not available on acceptable terms, the Group may not be able to take advantage of exploration and/or development opportunities.

13. Political, economic, legal, regulatory and social uncertainties

The Group operates in some countries where political, economic and social transition is taking place. Specifically, the Group has interests in Egypt, Indonesia, Kenya, Mauritania, Pakistan, Vietnam and the Falkland Islands and has recently been awarded a licence in Iraq following the latest licensing round. In each of these countries, changes in politics, laws and regulations could affect the Group's operations and earnings. Such circumstances include forced divestment of assets; limits on production; import and export restrictions; international conflicts including war; civil unrest and local security concerns that threaten the safe operation of the Group's facilities; price controls, tax increases and other retroactive tax claims; expropriation and nationalisation of property; terrorism; outbreaks of infectious diseases; cancellation of contract rights; and environmental regulations. It is difficult to predict the timing or severity of these occurrences or their potential effect. If such risks materialise they could affect the employees, reputation, business, prospects, operational performance and financial condition of the Group.

Those countries in Africa, the Middle East, the South Atlantic and South East Asia in which the Group has, or may in the future have, operations also have potential issues relating to transportation, telecommunications and financial services infrastructures that may present logistical challenges not usually present whilst doing business in more developed countries.

The Group may have difficulty ascertaining its legal obligations and enforcing any rights which it may have, not only in developing countries, but also in Norway and the UK. Certain governments have in the past expropriated or nationalised property of hydrocarbon production companies operating within their jurisdictions. Sovereign or regional governments could require the Group to grant to them larger shares of hydrocarbons or revenues than previously agreed to. Furthermore, it may be expensive and logistically burdensome to discontinue hydrocarbon exploration and/or production operations in a particular country should economic, political, physical or other conditions subsequently deteriorate. All of these factors could materially adversely affect the Group's business, prospects, results of operations, and financial condition.

The Group may also have difficulty ascertaining its legal obligations and enforcing any rights which it may have in the Falkland Islands. The Falkland Islands were, in 1982, the subject of armed hostilities between the UK and Argentina and Argentina has not relinquished its claims to sovereignty in relation to the Falkland Islands. One consequence of this is that the Argentinean government views the Group's operations in the Falkland Islands as a contravention of Argentinean law. It stated in a letter to the Group in July 2012 that it intends to initiate administrative, civil and penal action against the Group in relation to these activities. The Group understands that similar statements have been made to other companies with oil and gas interests in the Falkland Islands. The Argentinean government has not yet commenced any proceedings against the Group and the UK government has made clear that it has no doubts about its sovereignty over the Falkland Islands and will not negotiate on the sovereignty of the Falkland Islands unless and until such time as the Falkland islanders so wish. However, any border or other disputes arising in respect of the Falkland Islands may affect the Group's operations in the Falkland Islands which could in turn affect the Group. If such risks materialise they could affect the business, employees, reputation, operational performance and financial condition of the Group.

The Group may in the future acquire interests in other countries which may be subject to or affected by similar risks to those set out above.

14. Joint ventures and partners

Inherently, oil and gas operations globally are conducted in a joint venture environment. Many of the Group's major projects are operated by a partner in the relevant joint venture. The ability of the Group to influence its partners will sometimes be limited due to its percentage ownership in non-operated development and production operations. Non-alignment on various strategic decisions in joint ventures may result in operational or production inefficiencies or delay.

15. Governmental involvement in the oil and gas industry

The governments of countries in which the Group currently operates or may operate have exercised and continue to exercise significant influence over many aspects of their respective economies, including the oil and gas industry. Any government action concerning the economy, including the oil and gas industry (such as a change in oil or gas pricing policy or taxation rules or practice, or renegotiation or nullification of existing concession contracts), could have a material adverse effect on the Group. Furthermore, there can be no assurance that these governments will not postpone or review projects or will not make any changes to laws, rules, regulations or policies, in each case, which could materially adversely affect the Group's business, prospects, financial position or results of operations.

16. Uninsured hazards

The Group may be subject to substantial liability claims due to the inherently hazardous nature of its business or for acts and omissions of subcontractors, operators or joint venture partners. Any indemnities the Group may receive from such parties may be difficult to enforce if such subcontractors, operators or joint venture partners lack adequate resources. There can be no assurance that the proceeds of insurance applicable to covered risks will be adequate to cover expenses relating to losses or liabilities. Accordingly, although there is a low probability of this risk materialising, the Group may suffer material losses from uninsurable or uninsured risks or insufficient insurance coverage.

17. Licensing and other regulatory requirements

Countries in which the Group currently operates or may operate are subject to licences, regulations and approvals of governmental authorities, including those relating to the exploration, development, operation, production, marketing, pricing, transportation and storage of oil and gas, taxation, environmental, and health and safety matters.

The Group has limited control over whether or not necessary approvals or licences (or renewals thereof) are granted, the timing of obtaining (or renewing) such licences or approvals, the terms on which they are granted or the tax regime to which the Group or the assets in which the Group has interests will be subject. As a result, the Group may have limited control over the nature and timing of exploration and development of oil and gas fields in which the Group has or seeks interests. There can be no assurance that the Group will not in the future incur decommissioning charges since local or national governments may require decommissioning to be carried out in circumstances where there is no express obligation to do so, particularly in case of future licence renewals.

18. Licence withdrawal and renewal

It is possible that in the future the Group may be unable or unwilling to comply with the terms or requirements of a licence in circumstances that entitle the relevant authority to suspend or withdraw the terms of such licence. Moreover, some of the exploration and production licences which are held by the Group may expire before the end of what the Group estimates to be the productive life of the licensed fields. There can be no assurance that extensions will be granted in relation to such licences. Any failure to receive such extensions or any premature termination, suspension or withdrawal of licences may have a material adverse effect on the Group's reserves, business, results of operations and prospects.

19. Macroeconomic risks

One of the principal uncertainties for the Group at present is the extent to which the global economic slowdown currently being experienced may feed through into the Group's major operations, and the timing of that impact. The links between economic activities in different markets and sectors are complex and depend not only on direct drivers such as the balance of trade and investment between countries, but also on domestic monetary, fiscal and other policy responses to address macroeconomic conditions.

20. Decommissioning security arrangements

The Group is party to various decommissioning security arrangements relating to certain oil and gas fields in the United Kingdom (including the Balmoral, Stirling, Glamis, Scott, Nelson and Wytch Farm fields) which require the Group, among other things, to make provision for its share of the anticipated future decommissioning costs relating to these fields. The various decommissioning security arrangements to which the Group is party typically permit the Group to make provision in the form of cash or alternative security (including letters of credit and bank guarantees) provided by banks which meet certain credit rating thresholds. Market and other developments affecting the credit ratings of banks over the last few years have reduced the number of banks which meet these applicable credit rating requirements. Further developments of this sort may mean that banks which have issued letters of credit to satisfy the Group's decommissioning security obligations in the past may cease to meet the applicable credit rating requirements and that those banks that continue to meet these requirements may not be willing to continue to issue letters of credit or bank guarantees for greater amounts or to take on the letter of credit and/or bank guarantee commitments of banks who no longer meet these requirements or may only be willing to do so on more onerous terms for the Group. If these developments continue or worsen, it may be more difficult and/or costly for the Group to obtain or maintain letters of credit or bank guarantees which meet the requirements of these decommissioning security arrangements or to obtain new letters of credit or bank guarantees to replace letters of credit or bank guarantees from banks which have ceased to meet the requirements of the decommissioning security arrangements and in these circumstances the Group may be required to make provision for some or all of its decommissioning liabilities using cash.

21. The Group may not be able to implement successfully its business strategy

There can be no certainty that the Group will be able to implement successfully the business strategy set out in this Offering Circular. No representation is or can be made as to the future performance of the Group and there can be no assurance that the Group will achieve its objectives. The Group's ability to implement its business strategy may be adversely affected by factors that the Guarantor cannot currently foresee, such as unanticipated costs and expenses, technological change, severe

economic downturn, the level of interest rates, foreign exchange risks, governmental policy, inflation rates, industry conditions, fluctuations in oil and gas prices or other changes in economic, political, judicial, administrative, taxation or regulatory factors (some of which are discussed in more detail in this section). All of these factors may necessitate changes to the business strategy described in this Offering Circular or adversely affect the Group's business, its results of operations and financial condition.

22. Potential litigation may adversely affect the Group's activities

The Group faces the risk of potential litigation in connection with its business. By way of example the Argentinean government has stated that it intends to initiate administrative, civil and penal action against the Group in relation to its activities in the Falkland Islands (see paragraph entitled "*13. Political, economic, legal, regulatory and social uncertainties*" above). Recovery may be sought against the Group for very large and/or indeterminate amounts and the existence and scope of liability may remain unknown for substantial periods of time. Substantial legal liability in the future could have a material adverse affect on the Group's business, its results of operations and financial condition.

23. Holding company structure; dependence on subsidiaries

The Guarantor's results of operations and financial condition are dependent on the trading performance of members of the Group and upon the level of distributions, interest payments and loan repayments, if any, received from the Group's operating subsidiaries, any amounts received on asset disposals and the level of cash balances. Certain of the Group's operating subsidiaries are and may, from time to time, be subject to restrictions on their ability to make distributions and loans including as a result of restrictive covenants in loan agreements, foreign exchange and other regulatory restrictions and agreements with the other shareholders of such subsidiaries.

Risks relating to the Issuer

The Issuer is a special purpose financing entity with no business operations other than the issuance of the 2014 Bonds, the lending of the proceeds to the Guarantor and/or other members of the Group, the issue of the 2014 Preference Shares upon conversion of the 2014 Bonds, the making of the Exchange Offer, the issuance of the Bonds in exchange for 2014 Bonds, the issue of Preference Shares upon conversion of the Bonds, the entry into certain ancillary arrangements and the guaranteeing of certain credit facilities of the Group and the guaranteeing of certain hedging arrangements of the Group. The Issuer's only material assets will be the Guarantor's or other members of the Group's obligations to repay the loans by which the proceeds of the 2014 Bonds were lent to the Guarantor or other members of the Group. Therefore, the Issuer is subject to all risks to which the Guarantor or other members of the Group to whom these loans are made are subject, to the extent that such risks could limit the Guarantor's or such other member of the Group's ability to satisfy in full and on a timely basis its obligations under such loans. In granting a guarantee in connection with certain credit facilities of the Group and certain hedging arrangements of the Group, the Issuer will also be subject to all risks to which the Guarantor and other members of the Group which are counterparties to, or guarantors of, those arrangements. See "*Risks relating to the Group*" above for a further description of certain of these risks.

Risks relating to the Bonds

1. There is no active trading market for the Bonds

The Bonds are new securities which may not be widely distributed and for which there is currently no active trading market. If the Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions, the Group's results of operations and the market price of the Ordinary Shares. Although applications have been made for the Bonds to be admitted to the Official List of the UKLA and to trading on the Professional Securities Market of the London Stock Exchange, there is no assurance that such applications will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Bonds.

2. The Bonds may be redeemed prior to maturity

The Conditions provide that the Bonds are redeemable at the Issuer's option in certain limited circumstances and accordingly the Issuer may choose to redeem the outstanding Bonds at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Bonds.

3. Changes in tax law may adversely affect returns to holders of the Bonds

Any change in the Guarantor's tax status (or that of other members of its Group) or taxation legislation could affect the Guarantor's ability to provide returns to holders of the Bonds or alter post tax returns to holders of the Bonds. Commentaries in this Offering Circular concerning the taxation of investors in the Bonds are based on current UK tax law and practice which is subject to change. The taxation of an investment in the Guarantor depends on the individual circumstances of investors.

4. Foreign account tax compliance withholding

Under Sections 1471 through 1474 of the US Internal Revenue Code ("FATCA"), the Issuer or, as the case may be, the Guarantor (and other non-US financial institutions through which payments on the Bonds are made) may be required to withhold US tax at a rate of up to 30 per cent. on all, or a portion of, payments made after 31 December 2016 in respect of the Bonds unless, in each case, the recipient of the payment complies with certain certification and identification requirements.

FATCA is particularly complex and the full extent of its application in general, and its potential application to the Issuer or the Bonds, remains to a degree uncertain at this time. The description set out here is based in part on proposed regulations and official guidance that is subject to change.

If an amount were to be deducted or withheld from interest, principal or other payments on the Bonds on account of FATCA, neither the Issuer (nor, as the case may be, the Guarantor) nor any paying agent nor any other person would, pursuant to Terms and Conditions of the Bonds, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, if payments in respect of the Bonds are subject to FATCA withholding, investors may receive less interest, principal or other payments (as the case may be) than expected.

On 12 September 2012, the United Kingdom and the United States entered into the Intergovernmental Agreement to Improve Tax Compliance and to Implement FATCA (the “Agreement”). On 18 September 2012, HM Revenue & Customs launched a consultation on implementing the Agreement into UK law, which is expected to be done as part of the Finance Bill 2013.

5. Bondholders will bear the risk of fluctuation in the price of the Ordinary Shares

The market price of the Bonds is expected to be affected by fluctuations in the market price of the Ordinary Shares and it is impossible to predict whether the price of the Ordinary Shares will rise or fall. Trading prices of the Ordinary Shares will be influenced by, among other things, the financial position of the Guarantor, results of operations and political, economic, financial and other factors. Any decline in the market price of the Ordinary Shares may have an adverse effect on the market price of the Bonds.

Future issues or sales of the Ordinary Shares may significantly affect the market price of the Bonds or the Ordinary Shares. The future issue of Ordinary Shares by the Guarantor or the disposal of Ordinary Shares by significant shareholders or the perception that such issues or sales may occur may significantly affect the trading price of the Bonds and the Ordinary Shares.

Except for such restrictions and the undertakings of the Guarantor in the terms and conditions of the Bonds, there is no restriction on the Guarantor’s ability to issue Ordinary Shares, and there can be no assurance that the Guarantor will not issue Ordinary Shares or that any substantial shareholder will not dispose of, encumber, or pledge its Ordinary Shares or related securities.

6. Because the Global Bond is held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer and/or the Guarantor

The Bonds will be represented by the Global Bond. The Global Bond will be deposited with a common depositary for, and registered in the name of the common nominee of, Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Global Bond, investors will not be entitled to receive Bonds in definitive form. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Bond. While the Bonds are represented by the Global Bond, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer and the Guarantor will discharge their payment obligations under the Bonds by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Bond must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Bonds. The Issuer and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Bonds.

7. The Bonds have a minimum denomination and a Bondholder holding less than this minimum denomination will not receive Definitive Registered Bonds

The Bonds will be issued in principal amounts of US\$200,000 and integral multiples of US\$1,000 in excess thereof up to and including US\$299,000. Definitive Registered Bonds will only be issued in exchange of the Global Bond (in whole but not in part) in certain limited circumstances. If Definitive

Registered Bonds are issued, such Bonds will be issued only in respect of principal amounts equal to or greater than US\$200,000. However, Bondholders should be aware the Definitive Registered Bonds in a principal amount that is less than US\$200,000 may be illiquid and difficult to trade. Definitive Registered Bonds will in no circumstances be issued to any person holding Bonds in an amount lower than the minimum denomination and holders will have no rights against the Issuer or the Guarantor (including rights to receive principal or interest or to vote) in respect of such Bonds.

8. Subordination to subsidiary debt

The Group's operations are principally conducted through its subsidiaries. Accordingly, the Guarantor is and will be dependent on its subsidiaries' operations to service its indebtedness, including the Guarantee. The Guarantee will be structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of the Guarantor's subsidiaries, and to all secured creditors of the Guarantor and its subsidiaries. In the event of an insolvency, liquidation, reorganisation, dissolution or winding up of the business of any subsidiary of the Guarantor, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to the Guarantor.

9. Modification, waivers and substitution

The Terms and Conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Bonds also provide that the Trustee may, without the consent of Bondholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Bonds; (ii) determine that any Event of Default or Potential Event of Default shall not be treated as such; or (iii) the substitution of another Subsidiary of the Guarantor or of Newco as principal debtor under any Bonds in place of the Issuer in certain circumstances.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to completion and amendment, and save for the paragraphs in italics, is the text of the Terms and Conditions of the Bonds which is incorporated by reference into the Global Bond and endorsed on the Bonds in definitive form (if issued).

The issue of the US\$245,324,000 2.5 per cent. Guaranteed Convertible Bonds due 2018 (the “Bonds” which term shall, unless otherwise indicated, include any further bonds issued pursuant to Condition 20 and consolidated and forming a single series therewith) was (save in respect of any such further bonds) authorised by a resolution of the board of directors of Premier Oil Finance (Jersey) Limited (the “Issuer”) passed on 17 October 2012. The giving of the guarantee (the “Guarantee”) by Premier Oil plc (the “Guarantor”) in respect of the Bonds was authorised by a resolution of a duly appointed committee of the board of directors of the Guarantor (the “Board”) passed on 17 October 2012.

The Bonds are constituted by a trust deed dated 1 November 2012 (the “Trust Deed”) between the Issuer, the Guarantor and Deutsche Trustee Company Limited (the “Trustee”, which expression shall include all persons for the time being appointed as the trustee or trustees under the Trust Deed) as trustee for the holders (as defined below) of the Bonds. The statements set out in these Terms and Conditions (the “Conditions”) are summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Bonds in both global and definitive form. The Bondholders (as defined below) are entitled to the benefit of, and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those provisions applicable to them which are contained in the Paying, Transfer and Exchange Agency Agreement dated 1 November 2012 (the “Agency Agreement”) relating to the Bonds between the Issuer, the Guarantor, the Trustee and Deutsche Bank AG, London Branch in its capacity as Principal Paying, Transfer and Exchange Agent (the “Principal Paying, Transfer and Exchange Agent”, which expression shall include any successor as principal paying, transfer and exchange agent under the Agency Agreement), the paying, transfer and exchange agents for the time being (such persons, together with the Principal Paying, Transfer and Exchange Agent, being referred to below as the “Paying, Transfer and Exchange Agents”, which expression shall include their successors as Paying, Transfer and Exchange Agents under, in any case, the Agency Agreement) and any other paying, transfer and exchange agent appointed under these Conditions, and the registrar named therein (the “Registrar” which expression shall include any successor registrar under the Agency Agreement), the Articles of Association of the Issuer (the “Articles of the Issuer”) and the deed poll (“Deed Poll”) executed and delivered on 1 November 2012 by the Guarantor. Copies of each of the Trust Deed, the Agency Agreement, the Articles of the Issuer and the Deed Poll are available for inspection during normal business hours at the registered office for the time being of the Trustee (being at the Closing Date at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom), and at the specified offices of the Paying, Transfer and Exchange Agents and the Registrar.

Capitalised terms used but not defined in these Conditions shall have the meanings ascribed to them in the Trust Deed or, as the case may be, the Articles of the Issuer, unless, in any case, the context otherwise requires or unless otherwise stated.

1. Form, Denomination and Title

(a) *Form and Denomination*

The Bonds are in registered form, serially numbered in principal amounts of US\$200,000 and integral multiples of US\$1,000 in excess thereof up to and including US\$299,000 (each an “Authorised Denomination”) without coupons attached.

The Bonds will initially be represented by a global bond in registered form (the “Global Bond”). The Global Bond will be exchangeable in limited circumstances into definitive Bonds in registered form only in an Authorised Denomination. Bonds in definitive form will be issued only upon exchange of interests in the Global Bond in the limited circumstances described in the Global Bond.

(b) *Title*

Title to the Bonds will pass by transfer and registration (as described in Conditions 5 and 6). The Issuer, the Guarantor, the Trustee, the Registrar and any Paying, Transfer and Exchange Agents will (except as otherwise required by law) deem and treat the holder of any Bond as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof or that of the related certificate as appropriate or anything written on it or on the certificate representing it (other than a duly executed transfer thereof)) for all purposes.

2. Status and Guarantee

(a) *Status*

The Bonds constitute senior, unsubordinated, direct, unconditional and (subject to Condition 3) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law and subject to Condition 3, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(b) *Guarantee*

The payment of all amounts payable in respect of the Bonds and all other moneys payable under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor in the Trust Deed. The obligations of the Guarantor under the Trust Deed constitute senior, unsubordinated, direct, unconditional, and (subject to Condition 3) unsecured obligations of the Guarantor and shall, save for such exceptions as may be provided by applicable law and subject to Condition 3, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

3. Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed):

- (i) neither the Issuer nor the Guarantor will create or permit to subsist any mortgage, charge, pledge, lien (other than a lien arising by operation of law) or other form of encumbrance or security interest ("Security") upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any Relevant Debt or to secure any guarantee of or indemnity in respect of any Relevant Debt;
- (ii) the Guarantor will not permit any of its Material Subsidiaries to create or permit to subsist any Security upon the whole or any part of their respective undertakings, assets or revenues, present or future, to secure any Relevant Debt, or to secure any guarantee of or indemnity in respect of any Relevant Debt,

unless, at the same time or prior thereto, the obligations of the Issuer or, as the case may be, the Guarantor under the Bonds and the Trust Deed, (x) are secured at least equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, in each case to the satisfaction of the Trustee; or (y) have the benefit of such other security, guarantee, indemnity or other arrangement (whether or not comprising Security) as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders, save that any such Material Subsidiary may have outstanding Security upon the whole or any part of its property, assets or revenues, present or future, to secure Relevant Debt and/or a guarantee of or indemnity in respect of Relevant Debt (without the obligation to provide Security or any other arrangement in respect of the Guarantor's obligations under the Guarantee as aforesaid) where such Security is over the whole or any part of the property, assets or revenues of a company becoming a Subsidiary (as defined below) of the Guarantor after 30 May 2007 and where such Security exists at the time that company becomes a Subsidiary of the Guarantor provided that such Security was not created in contemplation of such company becoming a Subsidiary of the Guarantor and the principal amount secured at the time of that company becoming a Subsidiary of the Guarantor is not subsequently increased.

4. Definitions

In these Conditions:

"Additional Shares" has the meaning ascribed to the term "B Additional Shares" under the Articles of the Issuer.

"Aggregate Value" means, in respect of any dealing day, the US Dollar amount calculated as follows:

$$AV = OS \times MP$$

where

$$AV = \text{the Aggregate Value}$$

$$OS = \text{the number of Ordinary Shares determined by dividing US\$1,000 (translated into pounds sterling at the fixed rate of exchange of US\$1.6134 = £1.00) by the Exchange Price in effect on such dealing day (rounded down if necessary to the nearest whole number of Ordinary Shares).}$$

MP = the closing price for the Ordinary Shares as published by or derived from the Relevant Stock Exchange on such dealing day (provided that if on any such dealing day the Ordinary Shares shall have been quoted cum-Dividend or cum-any other entitlement the closing price on such dealing day shall be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of first public announcement of such Dividend or entitlement (excluding any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of the United Kingdom)), translated into US Dollars at the Prevailing Rate on such dealing day.

“Authorised Denomination” has the meaning provided in Condition 1(a).

“Bondholder” and “holder” mean, in relation to a Bond, the person in whose name the Bond is registered in the Register.

“business day” means, in relation to any place, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in such place.

“Cash Settlement Amount” has the meaning provided in Condition 9(h).

“Closing Date” means 1 November 2012.

“Companies Act 2006” means the Companies Act 2006 (as amended).

“Current Market Price” has the meaning provided in the Articles of the Issuer.

“Dividend” has the meaning provided in the Articles of the Issuer.

“EEA Regulated Market” means a market as defined by Article 4.1(14) of the Markets in Financial Instruments Directive 2004/39/EC.

“Exchange Date” has the meaning provided in Condition 8(b).

“Exchange Notice” has the meaning provided in Condition 8(b).

“Exchange Period” has the meaning provided in Condition 8(a).

“Exchange Price” has meaning ascribed to the term “B Exchange Price” under the Articles of the Issuer.

“Exchange Right” has the meaning provided in Condition 8(a).

“Extraordinary Resolution” has the meaning provided in the Trust Deed.

“Final Maturity Date” means 27 July 2018.

“Group” means the Guarantor and its Subsidiaries.

“Indebtedness” means any indebtedness for borrowed money (whether present or future, actual or contingent, secured or unsecured, as principal, surety or otherwise), but excluding Project Finance Indebtedness.

“Independent Financial Adviser” has the meaning provided in the Articles of the Issuer.

“Interest Payment Date” has the meaning provided in Condition 7(a).

“London business day” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in London.

“London Stock Exchange” means the London Stock Exchange plc.

“Material Subsidiary” means at any particular time, any Subsidiary of the Guarantor:

- (i) whose non-current assets and whose Proved and Probable Reserves (consolidated in respect of a Subsidiary which itself has Subsidiaries and is required by law or regulation to produce, or otherwise does produce, audited consolidated accounts or if the relevant Subsidiary itself has Subsidiaries and is not required by law or regulation to produce, or otherwise does produce, audited consolidated accounts, by reference to a consolidation certified by two directors of the Guarantor on behalf of the Guarantor but without imposing any obligation on the relevant Subsidiary to produce audited consolidated accounts) are equal to or greater than, 25 per cent. of the consolidated non-current assets and 25 per cent. of the consolidated Proved and Probable Reserves of the Group; or
- (ii) to which is transferred all or substantially all of the business, assets and undertaking of a Subsidiary of the Guarantor which immediately prior to such transfer is a Material Subsidiary, whereupon the transferor Subsidiary of the Guarantor shall immediately cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary until the publication of its next audited financial statements (whereupon paragraph (i) above shall apply).

For the purposes of this definition:

- (i) subject to paragraph (iii) below, the non-current assets and Proved and Probable Reserves of any Subsidiary of the Guarantor (consolidated in the cases aforementioned) will be determined from the figures used in the preparation of the Group’s latest audited consolidated financial statements, updated in each case to reflect any changes in any subsequent half-yearly interim financial statements issued by the Guarantor;
- (ii) subject to paragraph (iii) below, the consolidated non-current assets and Proved and Probable Reserves of the Group will be determined from the Guarantor’s latest audited consolidated financial statements for the time being, updated to adjust for changes reflected in any subsequent half-yearly interim financial statements issued by the Guarantor;
- (iii) in the event that any company or business is subsequently disposed of or acquired, the Guarantor will make adjustments to the consolidated non-current assets and Proved and Probable Reserves of the Group and to each Subsidiary to reflect such transaction and to determine whether any Subsidiary has become a Material Subsidiary; and

- (iv) where an existing Material Subsidiary is disposed of so that it is no longer a member of the Group, the test as to whether any Subsidiary of the Guarantor is a Material Subsidiary going forward will be applied to the Group excluding that Material Subsidiary.

A report by two directors of the Guarantor on behalf of the Guarantor that in their opinion a Subsidiary of the Guarantor is or is not, or was or was not, at any particular time or throughout any specified period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Trustee and the Bondholders.

“Newco Scheme” has the meaning provided in the Articles of the Issuer.

“Optional Redemption Date” has the meaning provided in Condition 9(b).

“Optional Redemption Notice” has the meaning provided in Condition 9(b).

“Ordinary Shares” means the ordinary shares of the Guarantor having a nominal value at the Closing Date of £0.125 each (and all other (if any) shares or stock resulting from any sub-division, consolidation or re-classification of such Ordinary Shares).

“Preference Shares” means exchangeable redeemable B preference shares of the Issuer of no par value and which will be issued on conversion of the Bonds at a paid-up value (the “Paid-up Value”) of US\$1,000 each.

“Prevailing Rate” means, in respect of any dealing day, the noon buying rate in New York City for cable transfers in pounds sterling, as reported by the Federal Reserve Bank of New York on such dealing day, or if on such dealing day such rate is not available, such rate prevailing on the immediately preceding day on which such rate is so available.

“Project Finance Indebtedness” means any indebtedness (other than such indebtedness incurred by the Guarantor) incurred to finance or refinance the ownership, acquisition, construction, development and/or operation of an asset or portfolio of assets in respect of which the person or persons to whom such indebtedness is or may be owed by the relevant borrower (whether or not a member of the Group) have no recourse whatsoever to any member of the Group for the repayment of or a payment of any sum relating to such indebtedness other than:

- (i) recourse to such borrower for amounts limited to the aggregate cash flow or net cash flow (other than historic cash flow or historic net cash flow) from such assets; and/or
- (ii) recourse to such borrower for the purpose only of enabling amounts to be claimed in respect of such indebtedness in an enforcement of any encumbrance given by such borrower over such assets or the income, cash flow or other proceeds deriving therefrom to secure such indebtedness or any encumbrance given by any holding company of the borrower over any equity in the borrower (except where, in relation to the grant of any encumbrance over the equity in the borrower, the borrower is a Material Subsidiary or is a Subsidiary of the Guarantor (other than a Subsidiary which is a single purpose company whose principal assets and business are constituted by the ownership, acquisition, financing, development and/or operation of an asset or a portfolio of assets and the indebtedness (in respect of which such encumbrance has been granted) has been incurred in connection with the financing of the ownership, acquisition, development and/or operation of such asset or portfolio of assets)) or any recourse referred to in (iii) below, provided that (A) the extent of such

recourse to such borrower is limited solely to the amount of any recoveries made on any such enforcement; and (B) such person or persons is or are not entitled, by virtue of any right or claim arising out of or in connection with such indebtedness, to commence proceedings for the winding up or dissolution of the borrower or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of the borrower or any of its assets (save for the assets the subject of such encumbrance); and/or

- (iii) recourse to such borrower generally or directly or indirectly to a member of the Group (other than the Guarantor or a Material Subsidiary) under, in each case, any form of completion guarantee, assurance or undertaking, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specific way) for breach of an obligation (not being a payment obligation or an obligation to procure payment by another or an obligation to comply or to procure compliance by another with any financial ratios or other tests of financial condition) by the person against whom such recourse is available; and/or
- (iv) recourse to another member of the Group (including the Guarantor) in respect of any contractual commitment to provide equity or subordinated debt or in respect of letters of credit or guarantees relating to any such equity commitment or subordinated debt and in each case were entered into as an initial and integral part of such Project Finance Indebtedness.

“Proved and Probable Reserves” has the meaning given to it in the “Statement of Recommended Practice” issued by the Oil Industry Accounting Committee dated July 2001, as updated and amended from time to time.

“Record Date” means, in respect of a payment, the seventh London business day before the due date for the relevant payment.

“Reference Date” has the meaning provided in Condition 8(b).

“Redemption Notice Cut-off Date” has the meaning provided in Condition 9(h).

“Redemption Settlement Shares” has the meaning provided in Condition 9(h).

“Register” has the meaning provided in Condition 5.

“Relevant Date” means, in respect of any Bond the date on which said payment first becomes due except that, if the full amount of the moneys payable has not been duly received by the Principal Paying, Transfer and Exchange Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Bondholders in accordance with Condition 19.

“Relevant Debt” means any present or future indebtedness of the Guarantor or any other person in the form of, or represented by, bonds, notes, debentures, loan stock or other securities (which shall exclude, for the avoidance of doubt, any loan agreement or facility) which have an original maturity of more than one year from its date of issue and which are for the time being, or are intended, with the agreement of the Issuer or the Guarantor to be, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market (excluding, for the avoidance of doubt, any

market or platform for the assignment or novation of participations in loan agreements), but excluding Project Finance Indebtedness.

“Relevant Event” has the meaning ascribed to the term “B Relevant Event” under the Articles of the Issuer.

“Relevant Event Period” has the meaning ascribed to the term “B Relevant Event Period” under the Articles of the Issuer.

“Relevant Stock Exchange” means at any time, in respect of the Ordinary Shares, the Official List of the UK Listing Authority and/or as the context requires an EEA Regulated Market of the London Stock Exchange.

“Retroactive Adjustment” has the meaning ascribed to the term “B Retroactive Adjustment” under the Articles of the Issuer.

“securities” has the meaning provided in the Articles of the Issuer.

“Share Exchange Rights” has the meaning ascribed to the term “B Share Exchange Rights” under the Articles of the Issuer.

“Share Settlement Option” has the meaning provided in Condition 9(h).

“Share Settlement Option Notice” has the meaning provided in Condition 9(a).

“Share Settlement Option Notice Annulment” has the meaning provided in Condition 9(h).

“Subsidiary” means, in respect of any entity, any undertaking which is for the time being a subsidiary undertaking of that entity within the meaning of Section 1159 of the Companies Act 2006.

“UK Listing Authority” means the Financial Services Authority in its capacity as competent authority for the purposes of the Financial Services and Markets Act 2000.

“Volume Weighted Average Price” has the meaning provided in the Articles of the Issuer.

For the purposes of Conditions 9(h) and 13, (a) references to the “issue” of Ordinary Shares shall include the transfer and/or delivery of Ordinary Shares by the Guarantor or any of its Subsidiaries, whether newly issued and allotted or previously existing or held by or on behalf of the Guarantor or any of its Subsidiaries, and (b) Ordinary Shares held by or on behalf of the Guarantor or any of its Subsidiaries shall not be considered as or treated as “in issue”.

In relation to the Bonds, references in these Conditions to listing on the London Stock Exchange (or like or similar references) shall be construed as admission to the Official List of the UK Listing Authority and admission to trading on the Professional Securities Market of the London Stock Exchange. In relation to the Ordinary Shares, references in these Conditions to listing on the London Stock Exchange (or like or similar references) shall be construed as admission to the Official List of the UK Listing Authority and admission to trading on an EEA Regulated Market of the London Stock Exchange.

Any determination by an Independent Financial Adviser appointed by the Issuer or the Guarantor in any of the circumstances contemplated in the Conditions shall (save in the case of manifest error) be final and binding on the Issuer, the Guarantor, the Trustee and the Bondholders.

No personal liability shall attach to any director, officer or employee of any member of the Group for any representation, warranty or statement made in any certificate or report signed by such a director, officer or employee or otherwise, save in the case of gross negligence or fraud in which case liability (if any) will be determined in accordance with applicable law.

5. Registration

The Issuer will cause a register (the “Register”) to be kept at the specified office of the Registrar outside the United Kingdom on which will be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers, redemptions and conversions of Bonds. Holders of Bonds will be entitled to receive only one Bond in respect of their respective holdings.

6. Transfer of Bonds

(a) *Transfer*

Bonds may, subject to the terms of the Agency Agreement and to Conditions 6(b) and 6(c), be transferred in whole or in part in an Authorised Denomination by lodging the relevant Bond (with the form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the specified office of the Registrar or any Paying, Transfer and Exchange Agent.

No transfer of a Bond will be valid unless and until entered on the Register. A Bond may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

The Registrar will, within seven Business Days (as defined below) of any duly made application for the transfer of a Bond, deliver a new Bond to the transferee (and, in the case of a transfer of part only of a Bond, deliver a Bond for the untransferred balance to the transferor), at the specified office of the Registrar, or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary uninsured mail, at the expense of the transferee or, as the case may be, the transferor) mail the Bond by ordinary uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

(b) *Formalities Free of Charge*

Such transfer will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the Registrar being satisfied with the documents of title and/or identity of the person making the application and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar and the Trustee.

(c) ***Closed Periods***

Neither the Issuer nor the Registrar will be required to register the transfer of any Bond (or part thereof) (i) during the period of 15 calendar days immediately prior to the Final Maturity Date or any earlier date fixed for redemption of the Bonds pursuant to Condition 9(b); (ii) in respect of which an Exchange Notice (as defined in Condition 8(b)) has been delivered in accordance with Condition 8(b); (iii) in respect of which a holder has exercised its right to require the Issuer to redeem pursuant to Condition 9(d); or (iv) during the period of 15 calendar days ending on (and including) any Record Date in respect of any payment of interest on the Bonds.

(d) ***Business Day***

In this Condition 6, “Business Day” means a day (other than a Saturday or Sunday) on which commercial banks are open for business in the place of the specified office of the Registrar.

7. Interest(a) ***Interest Rate***

The Bonds bear interest from and including the Closing Date at the rate of 2.5 per cent. per annum calculated by reference to the principal amount thereof and payable semi-annually in arrear on 27 January and 27 July in each year (each an “Interest Payment Date”), commencing with the Interest Payment Date falling on 27 January 2013. The first payment of interest, amounting to US\$1,194.44 per US\$200,000 principal amount of the Bonds, will be in respect of a short Interest Period beginning on and including the Closing Date and ending on but excluding 27 January 2013. Thereafter, for each successive period from and including an Interest Payment Date to but excluding the next Interest Payment Date, an amount of US\$2,500 per US\$200,000 principal amount of the Bonds will be paid.

Where interest is required to be calculated for any period which is not an Interest Period it will be calculated on the basis of a 360 day year consisting of 12 months of 30 days each, and in the case of an incomplete month, the number of days elapsed.

“Interest Period” means the payment period beginning on (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

(b) ***Accrual of Interest***

Each Bond will cease to bear interest (i) where the Exchange Right shall have been exercised by a Bondholder, from the Interest Payment Date immediately preceding the relevant Exchange Date or, if none, the Closing Date (subject in any such case as provided in Condition 8(e)); or (ii) in the case of a redemption of the Bonds, from the due date for redemption thereof unless, upon due presentation thereof, payment of the principal amount of the Bonds is improperly withheld or refused, and in such event interest will continue to accrue at the rate specified in Condition 7(a) (both before and after judgement) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to

that day are received by or on behalf of the relevant holder; and (b) the day seven days after the Trustee or the Principal Paying, Transfer and Exchange Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

8. Exchange

(a) *Exchange Period and Exchange Price*

- (i) Each Bond shall confer on the holder the right (such right an “Exchange Right”) to convert each US\$1,000 principal amount of a Bond into one fully paid Preference Share, allotted at a price equal to the Paid-up Value, and the holder of such Preference Share shall have the right, pursuant to the Articles of the Issuer, to require the Issuer forthwith to procure that such Preference Share is exchanged immediately, pursuant to the Articles of the Issuer and the terms of the Deed Poll and as contemplated by these Conditions, for Ordinary Shares, credited as fully paid.
- (ii) A Bondholder may exercise the Exchange Right in respect of an Authorised Denomination of a Bond only by delivering such Bond to the specified office of any Paying, Transfer and Exchange Agent in accordance with Condition 8(b) whereupon the Issuer shall issue to the Bondholder one Preference Share in respect of each US\$1,000 principal amount of a Bond, and will, pursuant to the Articles of the Issuer, procure that such Preference Share is, immediately following issue and registration of such Preference Share, exchanged in accordance with the Articles of the Issuer for Ordinary Shares, and credited as paid up in full.

Where an Exchange Right is exercised in respect of a part only of a Bond, the old Bond shall be cancelled and a new Bond for the balance thereof shall be issued in lieu thereof without charge but upon payment by the holder of any taxes, duties or other governmental charges payable in connection therewith and the Registrar will within seven Business Days (as defined in Condition 6) following the relevant Exchange Date deliver such new Bond to the Bondholder at the specified office of the Registrar or (at the risk and, if mailed at the request of the Bondholder otherwise than by ordinary uninsured mail, at the expense of the Bondholder) mail the new Bond by ordinary uninsured mail to such address as the Bondholder may request.

- (iii) Subject to, and upon compliance with, the provisions of these Conditions, the Exchange Right in respect of a Bond may be exercised, at the option of the holder thereof, at any time (subject to any applicable fiscal or other laws or regulations and as hereinafter provided) from 12 December 2012 to the close of business (in the place where the relevant Bond is delivered for conversion) on the date falling six days prior to the Final Maturity Date (both days inclusive) or, if the Bonds shall have been called for redemption pursuant to Condition 9(b) or (c) prior to the Final Maturity Date, then up to the close of business (in the place aforesaid) on the sixth day before the date fixed for redemption thereof or if notice requiring redemption has been given by the holder of such Bond pursuant to Condition 9(d) then up to the close of business (in the place aforesaid) on the day prior to giving such notice,

unless there shall be default in making payment in respect of such Bond on such date fixed for redemption, in which event the period during which the Exchange Right may be exercised shall extend up to the close of business (in the place aforesaid) on the date on which the full amount of such payment becomes available for payment and notice of such availability has been duly given in accordance with Condition 19 or, if earlier, the Final Maturity Date; provided that, in each case, if the final such date for the exercise of Exchange Rights is not a business day in the place aforesaid, then the period during which the Exchange Right may be exercised shall end on the immediately preceding business day in the place aforesaid.

Exchange Rights may not be exercised (i) in respect of a Bond where the holder shall have exercised its right to require the Issuer to redeem such Bond pursuant to Condition 9(d), or (ii) following the giving of notice by the Trustee pursuant to Condition 12.

An Exchange Right may not be exercised by a Bondholder in circumstances where the relevant Exchange Date would fall during the period commencing on the Record Date in respect of any payment of interest on the Bonds and ending on the relevant Interest Payment Date (both days inclusive).

The period within which an Exchange Right may be exercised by a Bondholder is referred to as the “Exchange Period”.

Ordinary Shares to be issued on exchange will be deemed to be issued as of the relevant Exchange Date. Any Additional Shares will be deemed to be issued as of the relevant Reference Date.

- (iv) By exercising an Exchange Right, a Bondholder will be deemed, subject to and in accordance with the Articles of the Issuer, to have exercised the Share Exchange Rights applicable to the Preference Shares arising on the exercise of such Exchange Right, and the Issuer will procure that such Preference Shares are immediately, following issue of such Preference Shares to the Bondholder or to its nominee and registration of such Preference Shares in the name of the relevant person, exchanged for Ordinary Shares, on the relevant Exchange Date (without any further action being required to be taken by any Bondholder or the Trustee). Each of the Issuer and the Guarantor shall (at its own expense) do all such things and make all such entries in the Issuer’s and the Guarantor’s respective registers of members and execute all such documents, whether at the request of the Trustee, on behalf of the relevant Bondholders or otherwise (including the execution of such instruments of transfer on behalf of the relevant Bondholders) as may be necessary to effect such exchange of Preference Shares.

Exchange Rights are not exercisable in respect of any specific Preference Shares or Ordinary Shares and no Preference Shares or Ordinary Shares have been or will be charged, placed in custody or otherwise set aside to secure or satisfy the obligations of the Issuer and the Guarantor in respect of the delivery of Preference Shares or Ordinary Shares.

Share Exchange Rights

The following is a summary of the Articles of the Issuer relating to the Share Exchange Rights. The Articles of the Issuer are separate from, and do not form part of, these Conditions.

(a) *Exercise of Share Exchange Rights*

The number of Ordinary Shares to be issued on the exercise of a Share Exchange Right (the "Relevant Number of Ordinary Shares") shall be determined by dividing the Paid-up Value (being US\$1,000 per Preference Share) of the relevant Preference Shares (translated into pounds sterling at the fixed rate of exchange of US\$1.6134 = £1.00) by the exchange price (the "Exchange Price") in effect on the relevant Exchange Date and where necessary rounding that number of Ordinary Shares down to the nearest whole number of Ordinary Shares. The initial Exchange Price is £4.34 per Ordinary Share and the Exchange Price shall thereafter be subject to adjustment in the circumstances described in the Articles of the Issuer as summarised in paragraph (b) below.

The exercise of a Share Exchange Right shall be satisfied by the issue and delivery of Ordinary Shares in an amount equal to the Relevant Number of Ordinary Shares, subject to and as provided herein.

Fractions of Ordinary Shares will not be issued and no payment will be made in lieu thereof. If a Share Exchange Right in respect of more than one Preference Share is deemed to be exercised at any one time such that Ordinary Shares in respect of such exercise are to be issued to the same person, the number of Ordinary Shares to be issued in respect thereof shall be calculated on the basis of the aggregate Paid-up Value of such Preference Shares.

(b) *Adjustment of Exchange Price*

Upon the happening of any of the events described below, the Exchange Price shall be adjusted as follows:

- (i) *If and whenever there shall be an alteration to the nominal value of the Ordinary Shares as a result of consolidation or sub-division, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such alteration by the following fraction:*

$$\frac{A}{B}$$

where:

A *is the nominal amount of one Ordinary Share immediately after such alteration; and*

B *is the nominal amount of one Ordinary Share immediately before such alteration.*

Such adjustment shall become effective on the date the alteration takes effect.

- (ii) *If and whenever the Guarantor shall issue any Ordinary Shares credited as fully paid to the holders of Ordinary Shares (the "Shareholders") by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (x) any such Ordinary Shares issued instead of the whole or part of a Dividend in cash which the Shareholders would or could otherwise have received or (y) where the Shareholders may elect to receive a Dividend in cash in lieu of such Ordinary Shares, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such issue by the following fraction:*

$$\frac{A}{B}$$

where:

A *is the aggregate nominal amount of the issued Ordinary Shares immediately before such issue; and*

B *is the aggregate nominal amount of the issued Ordinary Shares immediately after such issue.*

Such adjustment shall become effective on the date of issue of such Ordinary Shares.

- (iii) *If and whenever the Guarantor shall pay or make any Dividend to the Shareholders, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such Dividend by the following fraction:*

$$\frac{A - B}{A}$$

where:

A *is the Current Market Price (as defined below) of one Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the relevant Dividend or, in the case of a purchase of Ordinary Shares*

or any receipts or certificates representing Ordinary Shares by or on behalf of the Guarantor or any Subsidiary of the Guarantor, on which such Ordinary Shares, receipts or certificates are purchased or, in the case of a Spin-Off, is the Current Market Price of an Ordinary Share on the dealing day immediately preceding the first date on which the Ordinary Shares are traded ex- the relevant Spin-Off; and

- B is the portion of the Fair Market Value (as defined below) of the aggregate Dividend attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Dividend by the number of Ordinary Shares entitled to receive the relevant Dividend (or, in the case of a purchase of Ordinary Shares or any receipts or certificates representing Ordinary Shares by or on behalf of the Guarantor or any Subsidiary of the Guarantor, by the number of Ordinary Shares in issue immediately prior to such purchase).*

Such adjustment shall become effective on the date on which the relevant Dividend is paid or made or, in the case of a purchase of Ordinary Shares or any receipts or certificates representing Ordinary Shares, on the date such purchase is made or, in any such case if later, the first date upon which the Fair Market Value of the relevant Dividend is capable of being determined as provided herein.

For the purposes of the above, the Fair Market Value of a Dividend shall (subject as provided in paragraph (a) of the definition of "Dividend" and in the definition of "Fair Market Value") be determined as at the date of the first public announcement of the relevant Dividend.

"Dividend" means any dividend or distribution to Shareholders (including a Spin-Off) whether of cash, assets or other property, and whenever paid or made and however described (and for these purposes a distribution of assets includes without limitation an issue of Ordinary Shares or other securities credited as fully or partly paid up by way of capitalisation of profits or reserves) provided that:

- (a) where a Dividend in cash is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Ordinary Shares or other property or assets, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the payment of cash, then the Dividend in question shall be treated as a Dividend of the greater of (i) such*

cash amount; and (ii) the Current Market Price of such Ordinary Shares or, as the case may be, the Fair Market Value of such other property or assets (on the date of the first public announcement of such Dividend or capitalisation (as the case may be) or if later, the date on which the number of Ordinary Shares (or amount of property or assets, as the case may be) which may be issued or delivered is determined);

(b) *any issue of Ordinary Shares falling within paragraph (b)(ii) above and any issue or offer falling within paragraph (b)(iv) or (v) shall be disregarded;*

(c) *a purchase or redemption or buy back of share capital of the Guarantor by the Guarantor or any Subsidiary of the Guarantor shall not constitute a Dividend unless, in the case of purchases or buy backs of Ordinary Shares by or on behalf of the Guarantor or any of its Subsidiaries, the weighted average price per Ordinary Share (before expenses) on any one day (a "Specified Share Day") in respect of such purchases or buy backs (translated, if not in pounds sterling, into pounds sterling at the exchange rate between pounds sterling and such currency derived from Bloomberg page WMCO at or about 16.00 (London time) on such Specified Share Day, or if on such Specified Share Day such rate is not available from such page, at the spot rate ruling at the close of business on such day as determined in good faith by an Independent Financial Adviser (or if no such rate is available on that date, the equivalent rate on the immediately preceding date on which such rate is available)) exceeds by more than five per cent. the average of the closing prices of the Ordinary Shares on the London Stock Exchange (as published by or derived from the London Stock Exchange) on the five dealing days immediately preceding the Specified Share Day or, where an announcement (excluding, for the avoidance of doubt for these purposes, any general authority for such purchases approved by a general meeting of Shareholders of the Guarantor or any notice convening such a meeting of Shareholders) has been made of the intention to purchase Ordinary Shares at some future date at a specified price, on the five dealing days immediately preceding the date of such announcement, in which case such purchase shall be deemed to constitute a Dividend to the extent that the aggregate price paid (before expenses) in respect of such Ordinary Shares purchased by the Guarantor or, as the case may be, any of its Subsidiaries (translated where appropriate into pounds sterling as provided above) exceeds the product of (i) 105 per cent. of the average closing price of the Ordinary*

Shares determined as aforesaid and (ii) the number of Ordinary Shares so purchased; and

- (d) *if the Guarantor or any of its Subsidiaries shall purchase any receipts or certificates representing Ordinary Shares, the provisions of paragraph (c) shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined in good faith by an Independent Financial Adviser.*

“Fair Market Value” means, with respect to any property on any date, the fair market value of that property as determined in good faith by an Independent Financial Adviser, provided, that (i) the Fair Market Value of a Dividend in cash paid or to be paid shall be the amount of such Dividend in cash; (ii) the Fair Market Value of any other cash amount shall be the amount of such cash; (iii) where Spin-Off Securities, options, warrants or other rights are publicly traded in a market of adequate liquidity as determined in good faith by an Independent Financial Adviser, the Fair Market Value (a) of such Spin-Off Securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such Spin-Off Securities and (b) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights, in the case of both (a) and (b) during the period of five trading days on the relevant market commencing on such date (or, if later, the first such trading day such Spin-Off Securities options, warrants or other rights are publicly traded), or such shorter period as such Spin-Off Securities, options, warrants or other rights are publicly traded; (iv) where Spin-Off Securities, options, warrants or other rights are not publicly traded (as aforesaid), the Fair Market Value of such Spin-Off Securities, options, warrants or other rights shall be determined in good faith by an Independent Financial Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such Spin-Off Securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof; (v) in the case of (i) converted into pounds sterling (if declared or paid in a currency other than pounds sterling) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid the Dividend in cash in pounds sterling; and in any other case, converted into pounds sterling (if expressed in a currency other than pounds sterling) at such rate of exchange as may be determined in good faith by an Independent Financial Adviser, to be the spot rate ruling at the close of business on that date (or, if no such rate is available on that date, the equivalent rate on the immediately preceding date on which such a rate is available); and

(vi) in the case of (i) and (ii), any withholding or deduction required to be made or amount of tax and any associated tax credit shall be disregarded.

“Spin-Off” means:

- (a) a distribution of Spin-Off Securities by the Guarantor to Shareholders as a class; or
- (b) any issue, transfer or delivery of any property or assets (including cash or shares or securities of or in or issued or allotted by any entity) by any entity (other than the Guarantor) to Shareholders as a class or, in the case of or in connection with a Newco Scheme, Existing Shareholders, as a class (but excluding the issue and allotment of shares by Newco to Existing Shareholders), pursuant in each case to any arrangements with the Guarantor or any of its Subsidiaries.

“Spin-Off Securities” means equity share capital of an entity other than the Guarantor or options, warrants or other rights to subscribe for or purchase equity share capital of an entity other than the Guarantor.

- (iv) If and whenever the Guarantor shall issue Ordinary Shares to Shareholders as a class by way of rights, or issue or grant to Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase any Ordinary Shares, in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the terms of the issue or grant of such Ordinary Shares, options, warrants or other rights, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Ordinary Shares in issue immediately before such announcement;
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares comprised therein would purchase at such Current Market Price per Ordinary

Share (provided that, in the event that such aggregate consideration receivable is not determinable on such dealing day, B shall be calculated on the first day on which such aggregate amount is so determinable, but by reference to the Current Market Price per Ordinary Share on such dealing day); and

C is the number of Ordinary Shares issued or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights.

Such adjustment shall become effective on the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the London Stock Exchange.

(v) If and whenever the Guarantor shall issue any securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase or otherwise acquire any Ordinary Shares) to Shareholders as a class by way of rights or grant to Shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase or otherwise acquire any securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase or otherwise acquire Ordinary Shares), the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the dealing day immediately preceding the first date on which the terms of such issue or grant are publicly announced; and

B is the Fair Market Value of the rights attributable to one Ordinary Share on the first date on which the terms of such issue or grant are publicly announced.

Such adjustment shall become effective on the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the London Stock Exchange.

(vi) If and whenever the Guarantor shall issue (otherwise than as mentioned in sub-paragraph (iv) above) wholly for cash or for no consideration any Ordinary Shares (other than Ordinary Shares issued on the exercise of a Share Exchange Right or on the exercise

of any rights of conversion into, or exchange or subscription for, or purchase of Ordinary Shares) or issue or grant (otherwise than as mentioned in sub-paragraph (iv) above) wholly for cash or for no consideration any options, warrants or other rights to subscribe for or purchase or otherwise acquire any Ordinary Shares (other than the Bonds, which term shall for this purpose include any further bonds issued pursuant to Condition 20 and consolidated and forming a single series with the Bonds and other than the Preference Shares), in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the terms of such issue or grant, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Ordinary Shares in issue immediately before the issue of such Ordinary Shares or the grant of such options, warrants or rights;*
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the issue of such additional Ordinary Shares or, as the case may be, for the Ordinary Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Ordinary Share; and*
- C is the maximum number of Ordinary Shares to be issued pursuant to such issue of such additional Ordinary Shares or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights.*

Such adjustment shall become effective on the date of issue of such additional Ordinary Shares or, as the case may be, the grant of such options, warrants or rights.

- (vii) If and whenever the Guarantor or any Subsidiary of the Guarantor or (at the direction or request of, or pursuant to any arrangements with, the Guarantor or any Subsidiary of the Guarantor) any other company, person or entity (otherwise than as mentioned in sub-paragraph (iv), (v) or (vi) above) shall issue wholly for cash or for no consideration any securities (other than the Bonds, which term shall for this purpose exclude any further bonds issued pursuant to*

Condition 20 and consolidated and forming a single series with the Bonds and other than the Preference Shares) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, Ordinary Shares (or shall grant any such rights in respect of existing securities so issued) or securities which by their terms might be redesignated as Ordinary Shares, and the consideration per Ordinary Share receivable upon conversion, exchange, subscription or redesignation is less than 95 per cent. of the Current Market Price per Ordinary Share on the dealing day last preceding the date of the first public announcement of the terms of issue of such securities (or the terms of such grant), the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such issue (or grant) by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Ordinary Shares in issue immediately before such issue or grant (but where the relevant securities carry rights of conversion into or rights of exchange or subscription for Ordinary Shares which have been issued by the Guarantor for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued);*
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to such securities or, as the case may be, for the Ordinary Shares to be issued or to arise from any such redesignation would purchase at such Current Market Price per Ordinary Share; and*
- C is the maximum number of Ordinary Shares to be issued or otherwise made available upon conversion or exchange of such securities or upon the exercise of such right of subscription attached thereto at the initial conversion, exchange or subscription price or rate or, as the case may be, the maximum number of Ordinary Shares which may be issued or arise from any such redesignation,*

provided that if at the time of issue of the relevant securities or date of grant of such rights (as used in this sub-paragraph (vii) the "Specified Date") such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent

time (which may be when such securities are converted or exchanged or rights of subscription are exercised or, as the case may be, such securities are redesignated or at such other time as may be provided) then for the purposes of this sub-paragraph (vii), C shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition or, as the case may be, redesignation had taken place on the Specified Date.

Such adjustment shall become effective on the date of issue of such securities or, as the case may be, the grant of such rights.

- (viii) *If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such securities (other than the Bonds, which term shall for this purpose include any further bonds issued pursuant to Condition 20 and consolidated and forming a single series therewith and other than the Preference Shares) as are mentioned in sub- paragraph (vii) above (other than in accordance with the terms (including terms as to adjustment) applicable to such securities upon issue) so that following such modification the consideration per Ordinary Share receivable has been reduced and is less than 95 per cent. of the Current Market Price per Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the proposals for such modification, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such modification by the following fraction:*

$$\frac{A+B}{A+C}$$

where:

A *is the number of Ordinary Shares in issue immediately before such modification (but where the relevant securities carry rights of conversion into or rights of exchange or subscription for Ordinary Shares which have been issued by the Guarantor for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued);*

B *is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to the securities as so modified would purchase at such Current Market Price per Ordinary Share or, if*

lower, the existing conversion, exchange or subscription price of such securities; and

C is the maximum number of Ordinary Shares which may be issued or otherwise made available upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Financial Adviser shall determine in good faith appropriate for any previous adjustment under this sub-paragraph or sub-paragraph (vii) above,

provided that if at the time of such modification (as used in this sub-paragraph (viii) the “Specified Date”) such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such securities are converted or exchanged or rights of subscription are exercised or at such other time as may be provided) then for the purposes of this sub paragraph (viii), C shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange or subscription had taken place on the Specified Date.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

(ix) If and whenever the Guarantor or any Subsidiary of the Guarantor or (at the direction or request of or pursuant to any arrangements with the Guarantor or any Subsidiary of the Guarantor) any other company, person or entity shall offer any securities in connection with which offer Shareholders as a class are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Exchange Price falls to be adjusted under sub-paragraph (ii), (iii), (iv) or (vii) above or (x) below (or would fall to be so adjusted if the relevant issue or grant was at less than 95 per cent. of the Current Market Price per Ordinary Share on the relevant dealing day) or under sub-paragraph (v) above) the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before the making of such offer by the following fraction:

$$\frac{A-B}{A}$$

where:

- A *is the Current Market Price of one Ordinary Share on the dealing day immediately preceding the date on which the terms of such offer are first publicly announced; and*
- B *is the Fair Market Value on the date of such announcement of the portion of the relevant offer attributable to one Ordinary Share.*

Such adjustment shall become effective on the first date on which the Ordinary Shares are traded ex-rights on the London Stock Exchange.

- (x) *If an offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) such Shareholders other than the offeror and/or any associate (as defined in Section 988(1) of the Companies Act 2006) of the offeror), to acquire all or a majority of the issued ordinary share capital of the Guarantor or if any person proposes a scheme with regard to such acquisition (other than an Exempt Newco Scheme) and (such offer or scheme having become or been declared unconditional in all respects) the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Guarantor has or will become unconditionally vested in the offeror and/or such associate as aforesaid (a “Relevant Event”), the Exchange Price (the “Change of Control Exchange Price”) shall be determined as set out below, provided that the Change of Control Exchange Price shall only apply to Bonds in respect of which Exchange Rights are duly exercised and the Exchange Date falls within the period (the “Relevant Event Period”) commencing on the date the Relevant Event occurs and ending on the date 60 calendar days following the occurrence of the Relevant Event or, if later, 60 calendar days following the date on which notice of such Relevant Event is given to Bondholders by or on behalf of the Issuer or the Guarantor:*

$$\text{COCEP} = \text{OEP} / (1 + (\text{EP} \times c/t))$$

where:

- | | | |
|-------|---|--|
| COCEP | = | <i>the Change of Control Exchange Price</i> |
| OEP | = | <i>the Exchange Price in effect on the relevant Exchange Date (disregarding the application of this provision)</i> |
| EP | = | <i>30 per cent. (expressed as a fraction)</i> |
| c | = | <i>the number of days from and including the date the Relevant Event occurs to but excluding the Final Maturity Date</i> |

t = the number of days from and including the Closing Date to but excluding the Final Maturity Date

“Exempt Newco Scheme” means a Newco Scheme (as defined below) where immediately after completion of the relevant scheme of arrangement or analogous proceeding the ordinary shares of Newco (as defined below) are (1) admitted to trading on an EEA Regulated Market of the London Stock Exchange or (2) admitted to listing on such other regulated, regularly operating, recognised stock exchange or securities market as the Guarantor or Newco may determine.

“Newco Scheme” means a scheme of arrangement or analogous proceeding which effects the interposition of a limited liability company (“Newco”) between the Shareholders of the Guarantor immediately prior to the scheme of arrangement (the “Existing Shareholders”) and the Guarantor; provided that only ordinary shares of Newco are issued to Existing Shareholders, that immediately after completion of the scheme of arrangement the only shareholders of Newco are the Existing Shareholders, that Newco is the only shareholder of the Guarantor; that all Subsidiaries of the Guarantor immediately prior to the scheme of arrangement (other than Newco, if Newco is then a Subsidiary of the Guarantor) are Subsidiaries of the Guarantor (or of Newco) immediately after the scheme of arrangement and that the Guarantor (or Newco) holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those Subsidiaries as was held by the Guarantor immediately prior to the scheme of arrangement, and that such scheme of arrangement does not envisage or contemplate and was not proposed or adopted in contemplation of any of the foregoing matters.

- (xi) *If the Guarantor determines that an adjustment should be made to the Exchange Price as a result of one or more circumstances not referred to above in this paragraph (b) (even if the relevant circumstance is specifically excluded from the operation of sub-paragraphs (i) to (x) above), the Guarantor shall, at its own expense and acting reasonably, request an Independent Financial Adviser to determine in good faith as soon as practicable what adjustment (if any) to the Exchange Price is fair and reasonable to take account thereof and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this sub-paragraph (xi) if such Independent Financial Adviser is so requested to make such a determination not more than 21 days after the date on which the relevant circumstance arises.*

Notwithstanding the foregoing provisions, where the circumstances giving rise to any adjustment pursuant to this paragraph (b) have already resulted or will result in an adjustment to the Exchange Price or where the circumstances giving rise to any adjustment arise by virtue of any other circumstances which have already given or will give rise to an adjustment to the Exchange Price or where more than one event which gives rise to an adjustment to the Exchange Price occurs within such a short period of time that, in the opinion of the Guarantor, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be determined in good faith by an Independent Financial Adviser to be appropriate to give the intended result and provided further that, for the avoidance of doubt, the issue of Ordinary Shares pursuant to the exercise of the Share Exchange Rights shall not result in an adjustment to the Exchange Price.

For the purpose of any calculation of the consideration receivable or price pursuant to sub-paragraphs (iv), (vi), (vii) and (viii), the following provisions shall apply:

- (a) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;*
- (b) (x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any securities shall be deemed to be the consideration or price received or receivable for any such securities and (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such securities or, as the case may be, for such options, warrants or rights which are attributed by the Guarantor to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the date of the first public announcement of the terms of issue of such securities or, as the case may be, such options, warrants or rights, plus in the case of each of (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights and (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such securities or, as the case may be, upon the exercise of such options, warrants or rights*

shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be);

- (c) *if the consideration or price determined pursuant to (a) or (b) above (or any component thereof) shall be, or expressed, in a currency other than pounds sterling it shall be converted into pounds sterling at such rate of exchange as may be determined in good faith by an Independent Financial Adviser, to be the spot rate ruling at the close of business on the date of the first public announcement of the terms of issue of such securities (or if no such rate is available on that date, the equivalent rate on the immediately preceding date on which such rate is available);*
- (d) *in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or securities or otherwise in connection therewith.*

The following expressions have the following meanings:

“Additional Shares” has the meaning provided in paragraph (c) below.

“Bonds” means the US\$245,324,000 2.5 per cent. Guaranteed Convertible Bonds due 2018 of the Issuer, unconditionally and irrevocably guaranteed by the Guarantor.

“Conditions” means the terms and conditions of the Bonds.

“Current Market Price” means, in respect of an Ordinary Share at a particular date, the arithmetic average of the Volume Weighted Average Price of an Ordinary Share for the five consecutive dealing days ending on the dealing day immediately preceding such date; provided that if at any time during the said five-dealing-day period the Volume Weighted Average Price shall have been based on a price ex-Dividend (or ex- any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement), then;

- (a) *if the Ordinary Shares to be issued do not rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price cum-Dividend (or cum- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of first public announcement of such Dividend (or entitlement) (excluding any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of the United Kingdom);*
or

- (b) *if the Ordinary Shares to be issued do rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price ex-Dividend (or ex- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount,*

and provided further that if on each of the said five dealing days the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement) in respect of a Dividend (or other entitlement) which has been declared or announced but the Ordinary Shares to be issued do not rank for that Dividend (or other entitlement) the Volume Weighted Average Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of the first public announcement of such Dividend or entitlement (excluding any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of the United Kingdom),

and provided further that, if the Volume Weighted Average Price of an Ordinary Share is not available on one or more of the said five dealing days, then the average of such Volume Weighted Average Prices which are available in that five-dealing-day period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the relevant period the Current Market Price shall be determined in good faith by an Independent Financial Adviser.

“dealing day” means a day on which the London Stock Exchange is open for business, other than a day on which the London Stock Exchange is scheduled to or does close prior to its regular weekday closing time.

“Dividend” has the meaning provided in sub-paragraph (b)(iii) above.

“Fair Market Value” has the meaning provided in sub-paragraph (b)(iii) above.

“Guarantor” means Premier Oil plc.

“Independent Financial Adviser” means an investment bank of international repute appointed by the Issuer or the Guarantor and, in any such case, approved in writing by the Trustee or, if the Issuer and the Guarantor fail to make such appointment and such failure continues for a reasonable period (as determined by the Trustee) and the Trustee is indemnified and/or secured to its satisfaction against the costs, fees and expenses of such adviser, appointed by the Trustee following notification to the Issuer and the Guarantor.

“Relevant Event” has the meaning provided in sub-paragraph (b)(x) above.

“Relevant Event Period” has the meaning provided in sub-paragraph (b)(x) above.

“securities” includes, without limitation, shares in the share capital of the Guarantor and options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of the Guarantor.

“Shareholders” has the meaning provided in sub-paragraph (b)(ii) above.

“Subsidiary” means a subsidiary within the meaning of Section 1159 of the Companies Act 2006.

“Volume Weighted Average Price” means, in respect of an Ordinary Share or, as the case may be, a Spin-Off Security on any dealing day, the volume-weighted average price of an Ordinary Share or, as the case may be, a Spin-Off Security published by or derived (in the case of an Ordinary Share) from Bloomberg page AQR or (in the case of a Spin-Off Security) from the principal stock exchange or securities market on which such Spin-Off Securities are then listed or quoted or dealt in, if any, or, if such page is not available, such other source as shall be determined in good faith to be appropriate by an Independent Financial Adviser on such dealing day, provided that on any such dealing day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share or a Spin-Off Security, as the case may be, in respect of such dealing day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined.

References to any issue or offer or grant to Shareholders or Existing Shareholders “as a class” or “by way of rights” shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders other than Shareholders to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

For the purposes of paragraphs (b), (c) and (g), (i) references to the “issue” of Ordinary Shares shall include the transfer and/or delivery of Ordinary Shares by the Guarantor or any of its Subsidiaries, whether newly issued and allotted or previously existing or held by or on behalf of the Guarantor or any of its Subsidiaries, and (ii) Ordinary Shares held by or on behalf of the Guarantor or any of its Subsidiaries (and which, in the case of sub-paragraphs (b)(iv) and (vi) above, do not rank for the relevant right or other entitlement) shall not be considered as or treated as “in issue”.

In making any calculation or determination of Current Market Price or Volume Weighted Average Price, such adjustments (if any) shall be made as an Independent Financial Adviser determines in good faith to be appropriate to reflect any consolidation or sub-division of the Ordinary

Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves.

(c) *Retroactive Adjustments*

If the Exchange Date in relation to any Bond shall be after the record date for any such issue, distribution, grant or offer (as the case may be) as is mentioned in sub-paragraphs (b)(ii), (iii), (iv), (v) or (ix) above, or any such issue as is mentioned in sub-paragraphs (b)(vi) and (vii) above which is made to the Shareholders or any of them, but before the relevant adjustment becomes effective under paragraph (b) above (each such adjustment, a “Retroactive Adjustment”) in circumstances where such Bond is to be converted into Preference Shares, the Issuer shall (conditional upon the relevant adjustment becoming effective) procure that there shall be issued to the exchanging holder of Preference Shares, in accordance with the instructions contained in the Exchange Notice, such number of additional Ordinary Shares (the “Additional Shares”) as, together with the Ordinary Shares issued or to be issued on such exchange (together with any fraction of an Ordinary Share not so issued) is equal to the number of Ordinary Shares, in each case which would have been required to be issued on exchange of such Preference Share if the relevant adjustment (more particularly referred to in the said provisions of paragraph (b) above) to the Exchange Price had in fact been made and become effective on the relevant Exchange Date.

(d) *Decision of an Independent Financial Adviser*

If any doubt shall arise as to the appropriate adjustment to the Exchange Price, and following consultation between the Guarantor and an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect of such adjustment to the Exchange Price shall be conclusive and binding on all concerned, save in the case of manifest error.

(e) *Ordinary Shares may not be Issued at a Discount*

The Exchange Price may not be reduced so that, on exchange of the Preference Shares, Ordinary Shares would fall to be issued at a discount to their nominal or par value.

(f) *Employees’ Share Schemes*

No adjustment will be made to the Exchange Price where Ordinary Shares or other securities (including rights, warrants and options) are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, or are purchased or acquired by, employees or former employees (including directors holding or formerly holding executive office or the personal service company of any such person) or their spouses or relatives, in each case, of the Guarantor or any of its Subsidiaries or any associated company or to trustees to be held for the benefit of any such person or any

employee share trust, in any such case pursuant to or for the purpose of any employee, director or executive share, option or incentive scheme in existence on the Closing Date or which may following the Closing Date be approved by the Guarantor in general meeting.

The Exchange Price may not be adjusted so that exercise of the Share Exchange Rights would require Ordinary Shares to be issued in circumstances not permitted by applicable law.

(g) *Rounding Down and Notice of Adjustment to the Exchange Price*

On any adjustment, the resultant Exchange Price, if not an integral multiple of £0.01, shall be rounded down to the nearest whole multiple of £0.01. No adjustment shall be made to the Exchange Price where such adjustment (rounded down if applicable) would be less than 1 per cent. of the Exchange Price then in effect. Any adjustment not required to be made, and/or any amount by which the Exchange Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time.

Notice of any adjustments shall be given by the Issuer to Bondholders in accordance with Condition 19 as soon as practicable after the determination thereof.

(b) *Procedure for Exchange*

An Exchange Right may be exercised by a Bondholder during the Exchange Period by delivering the relevant Bond to the specified office of any Paying, Transfer and Exchange Agent at its own expense, during its usual business hours, accompanied by a duly completed and signed notice of conversion (an “Exchange Notice”) in the form (for the time being current) obtainable from the Registrar or any Paying, Transfer and Exchange Agent.

Exchange Rights shall be exercised subject in each case to any fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Registrar or the Paying, Transfer and Exchange Agent to whom the relevant Exchange Notice is delivered is located.

An Exchange Right may be exercised only in respect of an Authorised Denomination.

An Exchange Notice, once delivered, shall be irrevocable.

The conversion date in respect of a Bond (the “Exchange Date”) shall be the London business day immediately following the date of such delivery and, if applicable, the making of any payment to be made by the Bondholder as provided below.

A Bondholder exercising an Exchange Right must pay any taxes and capital, stamp, issue and registration duties, stamp duty reserve tax or similar taxes or duties arising on conversion (other than any stamp, issue and registration duties, stamp duty reserve tax or

similar duties or taxes payable in Jersey or the United Kingdom in respect of the allotment and issue of any Preference Shares on such conversion or on transfer of the Preference Shares to the Guarantor on exchange of the Preference Shares or in respect of the allotment, issue and delivery of any Ordinary Shares issued on exchange of the Preference Shares, except for any stamp duty or stamp duty reserve tax that arises (a) as a result of a Bondholder being within the categories of persons referred to in sub-paragraphs (i) and (ii) of the third paragraph below or (b) as a result of a Bondholder nominating that the Ordinary Shares are issued or delivered to a different party (other than a nominee acting on behalf of the Bondholder)) (which shall in each case be for the account of that Bondholder) and such Bondholder must pay all, if any, other taxes arising by reference to any disposal or deemed disposal of a Bond, any interest therein or any Preference Share in connection with such conversion and exchange.

Ordinary Shares to be issued on exchange of the Preference Shares (including any Additional Shares) will be issued in uncertificated form through the dematerialised securities trading system operated by Euroclear UK & Ireland Limited, known as CREST, unless at the time of issue, the Ordinary Shares are not a participating security in CREST, in which case they will be issued in certificated registered form.

Where Ordinary Shares are to be issued through CREST, they will be delivered to the account specified by the relevant Bondholder in the relevant Exchange Notice by not later than seven London business days following the relevant Exchange Date (or, in the case of any Additional Shares, not later than seven London business days following the date (the “Reference Date”) the relevant Retroactive Adjustment takes effect). Where Ordinary Shares are to be issued in certificated form, a certificate in respect thereof will be dispatched by ordinary mail free of charge (but uninsured and at the risk of the recipient) to the relevant Bondholder or as it may direct in the relevant Exchange Notice within 14 days following the relevant Exchange Date or, as the case may be, the Reference Date.

The Ordinary Shares to be issued on exercise of Share Exchange Rights will not be available for issue (i) to, or to a nominee or agent for, Euroclear Bank S.A./N.V. or Clearstream Banking, société anonyme or any other person providing a clearance service within the meaning of Section 96 of the Finance Act 1986 of the United Kingdom; or (ii) to a person, or nominee or agent for a person, whose business is or includes issuing depositary receipts within the meaning of Section 93 of the Finance Act 1986 of the United Kingdom, in each case at any time prior to the “abolition day” as defined in Section 111(1) of the Finance Act 1990 of the United Kingdom.

(c) *Purchase or Redemption by the Guarantor of its Own Shares*

The Guarantor or any Subsidiary of the Guarantor may exercise such rights as it may from time to time enjoy to purchase or redeem any shares of the Guarantor (including Ordinary Shares) or any receipts or certificates representing any such shares (including Ordinary Shares), without the consent of the Bondholders.

(d) *Ranking*

- (i) Ordinary Shares issued upon exchange will be fully paid and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the relevant Exchange Date or, in the case of Additional Shares, on the relevant Reference Date

(except in any such case for any right excluded by mandatory provisions of applicable law), except that the Ordinary Shares or, as the case may be, the Additional Shares so issued will not rank for any rights, distributions or entitlement where the record date or other due date for the establishment of entitlement for which falls prior to the relevant Exchange Date or, as the case may be, the relevant Reference Date.

- (ii) Save as provided in Condition 8(e), no payment or adjustment shall be made on conversion and exchange for any interest which otherwise would have accrued on the relevant Bonds since the last Interest Payment Date preceding the Exchange Date relating to such Bonds (or, if such Exchange Date falls before the first Interest Payment Date, since the Closing Date).

(e) *Interest on Exchange*

If an Optional Redemption Notice is given on or after the fifteenth London business day prior to a record date in respect of any Dividend or distribution payable in respect of the Ordinary Shares, which record date has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Closing Date) (whether such notice is given before, on or after such record date) and where such notice specifies an Optional Redemption Date falling on or prior to the date which is 14 days after the Interest Payment Date next following such record date, interest shall accrue on Bonds in respect of which Exchange Rights shall have been exercised and in any such case in respect of which the Exchange Date falls after such record date and on or prior to the Interest Payment Date next following such record date in each case from and including the preceding Interest Payment Date (or, if such Exchange Date falls before the first Interest Payment Date, from the Closing Date) to but excluding such Exchange Date. The Issuer shall pay any such interest or procure that any such interest is paid by not later than 14 days after the relevant Exchange Date by US Dollar denominated cheque drawn on, or by transfer to, a US Dollar account maintained with a branch of a bank in New York City, in accordance with instructions given by the relevant Bondholder in the relevant Exchange Notice. For the avoidance of doubt, no payment under this Condition 8(e) shall be due in respect of any Dividend or distribution referred to above in circumstances where the relevant Bondholder is entitled to receive Additional Ordinary Shares pursuant to the paragraph headed “Retroactive Adjustment” in the Articles of the Issuer.

(f) *Preference Shares*

- (i) Preference Shares allotted pursuant to these Conditions will be fully paid and will rank *pari passu* with all (if any) fully paid Preference Shares then in issue except that the Preference Shares so allotted will not rank for any dividend or other distribution declared, paid or made by reference to a record date prior to such Exchange Date.
- (ii) Preference Shares will be allotted as of the relevant Exchange Date and will be allotted in the name of the holder of the Bond completing the relevant Exchange Notice or of his nominee.

(g) Relevant Event Notice

Within 14 calendar days following the occurrence of a Relevant Event, the Issuer or the Guarantor shall give notice thereof to the Trustee and to the Bondholders in accordance with Condition 19 (a “Relevant Event Notice”). Such notice shall contain a statement informing Bondholders of their entitlement to exercise their Exchange Rights as provided in these Conditions and the Exchange Price applicable in consequence of the Relevant Event as set out in the Articles of the Issuer, as adjusted where appropriate. The Relevant Event Notice shall also specify:

- (i) all information material to Bondholders concerning the Relevant Event;
- (ii) the Exchange Price immediately prior to the occurrence of the Relevant Event and the Exchange Price applicable pursuant to the Articles of the Issuer during the Relevant Event Period;
- (iii) the closing price of the Ordinary Shares as derived from the London Stock Exchange as at the latest practicable date prior to the publication of such notice;
- (iv) the last day of the Relevant Event Period;
- (v) the Relevant Event Put Date (as defined in Condition 9(d)) and the principal amount as at such date; and
- (vi) such other information relating to the Relevant Event as the Trustee may require.

The Trustee shall not be under any duty to monitor or to take any steps to ascertain whether a Relevant Event or any event or circumstance which could lead to a Relevant Event or give rise to an adjustment to the Exchange Price has occurred or may occur and the Trustee will not be responsible to any person for any loss arising from any failure by it to do so.

9. Redemption and Purchase**(a) Final Redemption**

Unless previously purchased and cancelled, redeemed or converted as herein provided, the Bonds will be redeemed at their principal amount on the Final Maturity Date, subject to Condition 9(h). The Bonds may only be redeemed at the option of the Issuer prior to the Final Maturity Date in accordance with Condition 9(b), subject to Condition 9(h), and may only be redeemed by the Bondholders prior to the Final Maturity Date in accordance with Condition 9(d).

The Issuer may elect to satisfy its obligation to redeem the Bonds under this Condition 9(a) by exercising its Share Settlement Option with respect to all, but not some only, of the Bonds as described in Condition 9(h). To exercise its Share Settlement Option, the Issuer shall give a notice of such election (the “Share Settlement Option Notice”) to the Trustee and to the Bondholders (which notice shall be irrevocable) in accordance with Condition 19 not more than 60 nor less than 30 days prior to the Final Maturity Date.

(b) *Redemption at the Option of the Issuer*

On giving not less than 30 nor more than 60 days' notice (an "Optional Redemption Notice") to the Trustee and to the Bondholders in accordance with Condition 19, the Issuer may redeem all, but not some only, of the Bonds on the date (the "Optional Redemption Date") specified in the Optional Redemption Notice in each case, at their principal amount, together with accrued interest to such date:

- (i) at any time on or after 11 August 2016, if the Aggregate Value on each of not less than 20 dealing days in any period of 30 consecutive dealing days ending not earlier than 14 days prior to the giving of the relevant Optional Redemption Notice, exceeds US\$1,300;
- (ii) if, at any time prior to the date the relevant Optional Redemption Notice is given, Exchange Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 85 per cent. or more in principal amount of the Bonds originally issued; or
- (iii) at any time within the period of 45 days after the end of the Relevant Event Period.

For the purposes of Condition 9(b)(ii), the principal amount of the Bonds originally issued shall be the aggregate of the principal amount of the Bonds, including any further bonds issued pursuant to Condition 20 and consolidated and forming a single series with the Bonds.

(c) *Redemption Notices*

Any Optional Redemption Notice shall be irrevocable. Any such notice shall specify (i) the Optional Redemption Date; (ii) the Exchange Price; (iii) the aggregate principal amount of the Bonds outstanding and the closing price of the Ordinary Shares as derived from the Daily Official List of the London Stock Exchange, in each case as at the latest practicable date prior to the publication of the Optional Redemption Notice; and (iv) the last day on which Exchange Rights may be exercised by Bondholders.

(d) *Redemption at the Option of Bondholders*

The holder of each Bond will have the right to require the Issuer to redeem that Bond following the occurrence of a Relevant Event on the Relevant Event Put Date (as defined below), in each case at its principal amount together with interest accrued to, but excluding such date. To exercise such right, the holder of the relevant Bond must present such Bond at the specified office of any Paying, Transfer and Exchange Agent together with a duly completed and signed notice of exercise (a "Put Exercise Notice"), in the form for the time being current, obtainable from the specified office of any Paying, Transfer and Exchange Agent not later than 60 days after a Relevant Event Notice shall have been given pursuant to Condition 8(g).

Payment in respect of any such Bond shall be made by transfer to a US Dollar account with a bank in New York City specified by the relevant Bondholder in the Put Exercise Notice.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Bonds the subject of Put Exercise Notices delivered as aforesaid on the Relevant Event Put Date.

“Relevant Event Put Date” means the fourteenth London business day after the expiry of the period of 60 days referred to above.

(e) *Purchase*

Subject to the requirements (if any) of the UK Listing Authority or the London Stock Exchange or any other stock exchange on which the Bonds may be listed at the relevant time, the Issuer or the Guarantor or any Subsidiary of the Guarantor may at any time purchase Bonds in the open market or otherwise at any price. Such Bonds may be held, resold or reissued, or, at the option of the Issuer or the Guarantor, surrendered to any Paying, Transfer and Exchange Agent for cancellation.

(f) *Cancellation*

All Bonds which are redeemed or in respect of which Exchange Rights are exercised will be cancelled and may not be reissued or resold.

(g) *Multiple Notices*

If more than one notice of redemption is given pursuant to this Condition 9, the first of such notices to be given shall prevail.

(h) *Share Settlement Option*

Subject to the Ordinary Shares being listed on the London Stock Exchange at the due date for redemption, the Issuer may, in the circumstances referred to in Condition 9(a), (provided that no event or circumstance constituting a Knock-out Event (as defined below) has occurred in relation to the Issuer or the Guarantor prior to the date of the relevant Share Settlement Option Notice) elect (the “Share Settlement Option”) by giving a Share Settlement Option Notice in the manner described in Condition 9(a) in lieu of redeeming the relevant Bonds in cash, to effect redemption in respect of the Bonds by:

- (i) procuring the issue and allotment or transfer to the relevant Bondholder of such number of Ordinary Shares as is determined by dividing the principal amount of such Bonds (translated to sterling at the fixed rate of exchange of US\$1.6134 = £1.00) by the Exchange Price prevailing on the Valuation Date (as defined below);
- (ii) making payment of an amount (the “Cash Settlement Amount”) equal to the amount (if any) by which the principal amount of such Bonds exceeds the product of the Market Value of an Ordinary Share on the Valuation Date (translated into US Dollars at the Prevailing Rate on the Valuation Date) and the whole number of Ordinary Shares to be issued or transferred and delivered in accordance with (i) above in respect of such Bond; and
- (iii) making or procuring payment in cash of any accrued and unpaid interest.

“Valuation Date” means the date falling three dealing days prior to the due date for redemption of the Bonds.

Fractions of Ordinary Shares will not be issued and no cash payment will be made in lieu thereof. However, if one or more Share Settlement Option Notices and relevant Bonds are delivered not later than the Redemption Notice Cut-off Date (as defined below) such that the Ordinary Shares to be issued or transferred and delivered on redemption of Bonds are to be registered in the same name, the number of Ordinary Shares to be issued or transferred and delivered in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds.

Where Ordinary Shares are to be issued or transferred and delivered to the Relevant Person pursuant to sub-paragraph (3) below, the number of Ordinary Shares so to be issued or transferred and delivered shall be calculated on the basis of the aggregate principal amount of Bonds in respect of which such issue is to be effected.

Ordinary Shares to be issued or transferred and delivered in the manner contemplated in this Condition 9(h) upon exercise of the Share Settlement Option are referred to as “Redemption Settlement Shares”.

If either (a) the Issuer does not deliver a relevant Share Settlement Option Notice in the manner and by the time set out in this Condition 9(h); or (b) the Issuer does so deliver a Share Settlement Option Notice but an event or circumstance constituting a Knock-out Event occurs in relation to the Issuer or the Guarantor thereafter but prior to the issue of the Redemption Settlement Shares (such circumstances being referred to as a “Share Settlement Option Notice Annulment”), the relevant Bonds shall be redeemed for cash in accordance with the provisions of Condition 9(a) as appropriate and payment in respect thereof shall be made in accordance with Condition 10.

As used in this Condition 9(h):

“Knock-out Event” means “Bankruptcy”, “Failure to Pay”, “Obligation Acceleration” and/or “Restructuring”, as such terms are defined in the 2003 ISDA Credit Derivatives Definitions (the “Definitions”), and for these purposes:

- (1) the second sentence of Section 4.1 of the Definitions shall apply as if references to “Credit Event” were references to “Knock-out Event”;
- (2) references in the Definitions to the “Reference Entity” shall be deemed to be references to the Issuer or the Guarantor (as the case may be);
- (3) references in the Definitions to an “Obligation” shall be deemed to be references to any obligation of the Issuer or the Guarantor (as the case may be) either directly or as provider of a Qualifying Guarantee, that is described by the Borrowed Money Obligation Category (as defined in the Definitions) and having the Not Subordinated Obligation Characteristic (as provided in paragraph (4) below), in each case as of the date of the event which constitutes the relevant Knock-out Event (and, for these purposes, where the obligation is a Qualifying Guarantee, Section 2.21(d)(i) of the Definitions shall apply);

- (4) an obligation shall be deemed to have the Not Subordinated Obligation Characteristic if (a) it is not Subordinated (as defined in the Definitions provided that the exclusion in the last sentence of such definition shall be disregarded) to any unsubordinated Borrowed Money obligation (as defined in the Definitions) of the Issuer or the Guarantor (as the case may be); and (b) if the obligation is a Qualifying Guarantee, the Underlying Obligation is not Subordinated to any unsubordinated Borrowed Money Obligation of the Underlying Obligor;
- (5) “Qualifying Guarantee” means an arrangement evidenced by a written instrument pursuant to which the Issuer or the Guarantor (as the case may be) irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the “Underlying Obligation”) for which another party is the obligor (the “Underlying Obligor”). Qualifying Guarantees shall exclude any arrangement (a) structured as a surety bond, financial guarantee, insurance policy, letter of credit or equivalent legal arrangement; or (b) pursuant to the terms of which the payment obligations of the Issuer or the Guarantor (as the case may be) can be discharged, reduced or otherwise altered or assigned (other than by operation of law) as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). The benefit of a Qualifying Guarantee must be capable of being transferred together with the delivery, novation, transfer, assignment or sale (as appropriate) of the Underlying Obligations;
- (6) for the purposes of Sections 4.7(a) and 4.7(b) of the Definitions, the term Obligation shall be deemed to include Underlying Obligations for which the Issuer or the Guarantor (as the case may be) is acting as provider of a Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to the Reference Entity in Section 4.7(a) of the Definitions shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in Section 4.7(b) shall continue to refer to the Reference Entity;
- (7) in the definition of “Grace Period” Sections 1.12(a)(ii) and (iii) of the Definitions shall not apply;
- (8) references in the Definitions to “the later of the Trade Date” shall be deemed to be references to the issue date of the Bonds;
- (9) references in the Definitions to the “Payment Requirement” shall be deemed to be to US\$1,000,000 or its equivalent in the relevant Obligation Currency (as defined in the Definitions) as of the occurrence of the relevant Failure to Pay;
- (10) references in the Definitions to the “Default Requirement” shall be deemed to be to US\$10,000,000 or its equivalent in the relevant Obligation Currency (as defined in the Definitions) as of the occurrence of the relevant Knock-out Event; and
- (11) notwithstanding anything to the contrary in Section 4.7 of the Definitions, the occurrence of, agreement to or announcement of any of the events described in Section 4.7(a)(i) to (v) of the Definitions shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation. “Multiple Holder Obligation” means an Obligation that (i) at the time of the event which constitutes a Restructuring Knock-out Event is held by more than three holders that

are not Affiliates (as defined in the Definitions) of each other; and (ii) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation as in effect on the date of such event) at least equal to sixty-six-and-two-thirds is required to consent to the event which constitutes a Restructuring Knock-out Event provided that any Obligation that is a Bond (as defined in the Definitions) shall be deemed to satisfy the requirement in Section 4.9(a)(ii).

As used in this Condition 9(h), the “Market Value” of an Ordinary Share on the Valuation Date shall mean the Current Market Price (as defined in these Conditions, but with the substitution of (1) references to fifteen consecutive dealing days for the references therein to periods of five consecutive dealing days; and (2) references to the said fifteen day period for the references therein to the said five day period) of an Ordinary Share on the Valuation Date.

If the Issuer elects to exercise the Share Settlement Option with respect to Bonds, the following provisions shall apply:

- (1) In order to obtain issue or transfer and delivery of the relevant Redemption Settlement Shares, the relevant Bondholder must deliver to the specified office of any Paying, Transfer and Exchange Agent at least 3 business days in the relevant place of delivery prior to the due date for redemption (the “Redemption Notice Cut-off Date”), a duly completed and signed share settlement notice (a “Share Settlement Notice”) in the form, for the time being current, obtainable from any Paying, Transfer and Exchange Agent together in each case with the relevant Bonds. If such delivery is made after the end of normal business hours at the specified office of the relevant Paying, Transfer and Exchange Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business days.
- (2) Subject as provided herein, the relevant Redemption Settlement Shares will be issued or transferred and delivered in accordance with the instructions given in the Share Settlement Notice and the Cash Settlement Amount (if any) and, if the due date for redemption is not an Interest Payment Date, any accrued and unpaid interest will be paid in accordance with instructions contained in the relevant Share Settlement Notice, and, if the due date for redemption is an Interest Payment Date, any accrued and unpaid interest will be paid in accordance with Condition 10, in each case on the due date for redemption of such Bonds, provided the Share Settlement Notice and the relevant Bonds are delivered not later than the Redemption Notice Cut-off Date.
- (3) If the Share Settlement Notice and relevant Bonds are not delivered to a Paying, Transfer and Exchange Agent on or before the Redemption Notice Cut-off Date, then (a), if the due date for redemption of the Bonds is an Interest Payment Date, any accrued and unpaid interest will be paid in accordance with Condition 10 on the due date for redemption of such Bonds; (b) the relevant Redemption Settlement Shares will be issued and allocated or transferred and delivered on such due date for redemption to a person (the “Relevant Person”) selected by the Issuer and approved by the Trustee and on such condition as the Trustee may reasonably require in the interests of the relevant Bondholder; and (c) the Cash Settlement Amount (if any) and, if the due date for redemption is not an Interest Payment Date, any accrued and

unpaid interest will be paid to the Trustee or as the Trustee may direct on such due date for redemption. The Issuer shall procure that all of such Redemption Settlement Shares shall be sold by or on behalf of the Relevant Person as soon as practicable based on advice from a reputable financial institution, investment or commercial bank or broker selected by the Issuer and approved by the Trustee and (subject to any necessary consents being obtained and to the deduction by or on behalf of the Relevant Person of any amount payable in respect of its liability to taxation and the payment of any capital, stamp, issue or registration and transfer taxes and duties (if any) and any fees or costs reasonably incurred by or on behalf of the Relevant Person in connection with the allotment and sale thereof) the net proceeds of sale paid to the Trustee. The net proceeds of such sale shall be paid to the Trustee together with the Cash Settlement Amount (if any) and any interest in respect of the Bonds paid to the Trustee shall be held by or on behalf of the Trustee and distributed rateably to the holders of the relevant Bonds in accordance with the Trust Deed (or in such other manner as the Trustee shall in its sole and absolute discretion determine and notify to the Bondholders in accordance with Condition 19). The amount of such net proceeds of sale, the Cash Settlement Amount (if any) and any interest paid as aforesaid payable to a holder pursuant to this sub-paragraph (3) shall be treated for all purposes as the full amount due from the Issuer in respect of the relevant Bonds.

- (4) The Cash Settlement Amount shall be payable in US Dollars.
- (5) The Trustee and any person acting on its behalf shall have no liability whatsoever to the Issuer, any Bondholders or any other person in respect of the exercise or non-exercise of any discretion pursuant to sub-paragraph (3) above or in respect of any sale of Redemption Settlement Shares whether for the timing of any such sale or the price at which any such Redemption Settlement Shares are sold or the inability to sell any such Redemption Settlement Shares.
- (6) Without prejudice to any Share Settlement Option Notice Annulment, a Share Settlement Option Notice shall be irrevocable and any Share Settlement Notice shall be irrevocable. Failure properly to complete and deliver a Share Settlement Notice and deliver the relevant Bonds may result in such notice being treated as null and void and the Issuer shall be entitled to effect settlement in accordance with sub-paragraph (3) above. Any determination as to whether such notice has been properly completed and delivered as provided in these Conditions shall be made by the Issuer in its sole and absolute discretion and shall be conclusive and binding on the relevant Bondholders.
- (7) Ordinary Shares to be issued or transferred and delivered as contemplated by this Condition 9(h) shall be deemed to be issued and allotted or transferred and delivered as of the due date for redemption of the Bonds.
- (8) A Bondholder or the Relevant Person must pay (in the case of the Relevant Person by means of deduction from the net proceeds of sale referred to in sub-paragraph (iii) above or from amounts otherwise available to the Relevant Person for the purpose) directly to the relevant authorities any taxes and capital, stamp, issue and registration and transfer taxes and duties arising on the relevant issue and delivery of Redemption Settlement Shares (other than any taxes or capital, stamp, issue and

registration and transfer taxes and duties payable in the United Kingdom, Luxembourg or Belgium in respect of the allotment and issue of any Redemption Settlement Shares pursuant to this Condition 9(h), which shall be paid by the Issuer except for any stamp duty or stamp duty reserve tax that arises (a) as a result of a Bondholder being within the categories of persons referred to in sub-paragraphs (i) and (ii) of paragraph (9) below or (b) as a result of a Bondholder nominating that the Redemption Settlement Shares are issued or delivered to a different party (other than a nominee acting on behalf of the Bondholder) (which shall in each case be for the account of the Bondholder)) and such Bondholder or the Relevant Person (as the case may be) must pay (in the case of the Relevant Person, by way of deduction from the net proceeds of sale as aforesaid or from amounts otherwise available to the Relevant Person for the purpose) all, if any, taxes arising by reference to any disposal or deemed disposal of a Bond or interest therein in connection with such redemption.

- (9) The Redemption Settlement Shares will not be available for issue (i) to, or to a nominee or agent for, Euroclear Bank S.A./N.V. or Clearstream Banking, société anonyme or any other person providing a clearance service within the meaning of Section 96 of the Finance Act 1986 of the United Kingdom; or (ii) to a person, or nominee or agent for a person, whose business is or includes issuing depositary receipts within the meaning of Section 93 of the Finance Act 1986 of the United Kingdom, in each case at any time prior to the “abolition day” as defined in Section 111(1) of the Finance Act 1990 of the United Kingdom.
- (10) Redemption Settlement Shares will be delivered in uncertificated form through the dematerialised securities trading system operated by Euroclear UK & Ireland Limited, known as CREST, unless, at the time of issue, the Ordinary Shares are not a participating security in CREST. Where Redemption Settlement Shares are to be issued through CREST, they will be delivered to the account specified by the relevant Bondholder in the relevant Share Settlement Notice or, as appropriate, to the account specified by the Relevant Person. Where Redemption Settlement Shares are to be delivered in certificated form, a certificate in respect thereof will be dispatched by mail free of charge (but uninsured and at the risk of the recipient) to the relevant Bondholder or as it may direct in the relevant Share Settlement Notice, or, as appropriate, as the Relevant Person may direct.
- (11) The Redemption Settlement Shares issued or transferred and delivered upon redemption of the Bonds will be fully paid and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the relevant redemption date of the relevant Bonds, except in any such case for any right excluded by mandatory provisions of applicable law and except that such Redemption Settlement Shares will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments the record date or other due date for the establishment of entitlement for which falls prior to the due date for redemption.

10. Payments

(a) *Method of Payment*

Payment of the principal amount of the Bonds and of interest due other than on an Interest Payment Date will be made to the persons shown in the Register at the close of business on the Record Date and subject to surrender of the Bonds, at the specified office of the Registrar or any Paying, Transfer and Exchange Agent by a US Dollar cheque drawn on, or by transfer to a US Dollar account maintained by the payee with, a bank in New York City. Payments of interest due in respect of Bonds on an Interest Payment Date shall be made to the persons shown in the Register at the close of business on the Record Date.

Payments of all other amounts will be made as provided in these Conditions.

(b) *Payments subject to fiscal laws*

All payments are subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the US Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments. Any such amounts withheld or deducted will be treated as paid for all purposes under the Bonds, and no additional amounts will be paid on the Notes with respect to any such withholding or deduction.

(c) *Non-business days*

A Bond may only be presented for payment on a day which is a business day in the place of presentation and surrender and a business day in London and New York City and if payment is due on any other day, a Bond may not be presented for payment prior to the next following day which is a business day in the place of presentation and surrender and a business day in London and New York City. No further interest or other payment will be made as a consequence of the day on which the relevant Bond may be presented for payment under this Condition 10(c) falling after the due date.

(d) *Paying, Transfer and Exchange Agents, etc.*

The initial Paying, Transfer and Exchange Agents and their initial specified offices are listed below. The Issuer and the Guarantor reserve the right under the Agency Agreement at any time, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying, Transfer and Exchange Agent or the Registrar and appoint additional or other Paying, Transfer and Exchange Agents or another Registrar, provided that they will maintain (i) a Principal Paying, Transfer and Exchange Agent; (ii) so long as the Bonds are admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange’s Professional Securities Market and the rules of the UK Listing Authority or the London Stock Exchange so require, a Paying, Transfer and Exchange Agent having a specified office in London; (iii) a Registrar with a specified office outside the United Kingdom; and (iv) a Paying, Transfer and Exchange Agent with a specified office in a European Union Member State, if any, that will not be obliged to withhold or deduct tax

pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any change in the Paying, Transfer and Exchange Agents or their specified offices will promptly be given to the Bondholders in accordance with Condition 19.

(e) ***Fractions***

Each payment by the Issuer or the Guarantor to a Bondholder will be rounded down to the nearest cent.

11. Taxation

All payments in respect of the Bonds by or on behalf of the Issuer or the Guarantor shall be made without withholding or deduction for any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of Jersey or the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or the Guarantor shall not be required to pay any additional amounts to Bondholders to compensate for such withholding or deduction.

12. Events of Default

The Trustee at its discretion may, and if so requested by holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall (subject in each case to it being indemnified and/or secured to its satisfaction), give notice in writing to the Issuer that the Bonds are, and they shall immediately become, due and payable at their principal amount together with accrued interest, if any of the following events (each an “Event of Default”) shall have occurred and is continuing:

- (a) **Non-Payment:** (i) the Issuer or the Guarantor fails to pay all or any part of the principal of any of the Bonds when the same shall become due and payable, whether at maturity, upon redemption or otherwise and such failure continues for a period of seven calendar days; or (ii) the Issuer or the Guarantor fails to pay any interest in respect of any of the Bonds as and when the same shall become due and payable, and such failure continues for a period of 14 calendar days;
- (b) **Exchange Rights:** the Issuer or the Guarantor fails to deliver or procure the delivery of the Preference Shares or Ordinary Shares when the same shall become deliverable and in either case such failure continues for a period of 10 calendar days;
- (c) **Breach of Other Obligations:** the Issuer or the Guarantor defaults in the performance or observance of or compliance with any of its other obligations set out in the Bonds or the Trust Deed or the Deed Poll which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 calendar days after the date on which written notice specifying such failure, stating that such notice is a “Notice of Default” under the Bonds and demanding that the Issuer or the Guarantor, as the case may be, remedy the same, shall have been given to the Issuer or, as the case may be, the Guarantor by the Trustee;

- (d) **Cross-Acceleration:** (i) any Indebtedness of the Issuer or of the Guarantor or any Material Subsidiary (other than Indebtedness owed by one member of the Group to another member of the Group) becomes due and payable prior to its stated maturity (otherwise than at the option of the Issuer or of the Guarantor or such Material Subsidiary, as the case may be) by reason of any event of default (howsoever described); (ii) any such Indebtedness representing principal (and premium or other amounts, if any) payable on the scheduled maturity date of, or on any other date for the redemption or repayment of such Indebtedness (which, for the avoidance of doubt shall not include any payments of interest scheduled to be paid prior to such date of maturity, redemption or repayment), is not paid when due on its scheduled date for redemption or repayment or, as the case may be, within any applicable grace period originally provided for or, if such applicable grace period is extended, the grace period as extended; or (iii) the Issuer or the Guarantor or any Material Subsidiary fails to pay when due any Indebtedness (or within any applicable grace period originally provided for or, if such applicable grace period is extended, the grace period as extended) under any present or future guarantee for, or indemnity in respect of, any Indebtedness of a type referred to in sub-paragraph (ii) above, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which any one or more of the events mentioned above in this Condition 12(d) has or have occurred equals or exceeds US\$20,000,000 or its equivalent in other currencies and provided further that no account shall be taken of amounts where the Issuer, the Guarantor or, as the case may be, the relevant Material Subsidiary is contesting in good faith that such amounts are due and payable;
- (e) **Enforcement Proceedings:** a distress, attachment or execution (other than distraint or attachment imposed by any government, authority or agent prior to enforcement foreclosure) is levied against, or an encumbrancer takes possession of a substantial part of the property or assets of the Issuer or of the Guarantor or all or a substantial part of the property or assets of any Material Subsidiary and is not (i) discharged or stayed within 60 calendar days in the case of the Issuer and the Guarantor and 90 calendar days in the case of a Material Subsidiary; or (ii) being contested in good faith on the basis of legal advice provided by reputable independent counsel in the relevant jurisdiction or jurisdictions and by appropriate proceedings;
- (f) **Security Enforced:** a receiver, administrative receiver, administrator, manager or other similar officer is appointed over the whole or a substantial part of the undertaking, property or assets of the Issuer or of the Guarantor or any Material Subsidiary and in any such case such possession or appointment is not stayed or terminated or the debt on account of which such possession was taken or appointment made is not discharged or satisfied within 60 calendar days in the case of the Issuer and the Guarantor and 90 calendar days in the case of a Material Subsidiary of such appointment or the issue of such order;
- (g) **Insolvency:** the Issuer or the Guarantor or any Material Subsidiary (i) is unable to pay its debts within the meaning of Section 123(1)(e) of the Insolvency Act 1986 or stops, suspends or threatens to stop or suspend payment of all or a substantial part of its debts as they mature; or (ii) applies for or consents to the appointment of an administrator, administrative receiver, liquidator, manager or receiver or other similar officer in respect of the Issuer or the Guarantor or any Material Subsidiary or over the whole or substantially all of the undertaking, property, assets or revenues of the Issuer or the Guarantor or any Material Subsidiary; or (iii) proposes or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors in respect of any of such debts or a

moratorium is agreed or declared or comes into effect in respect of or affecting all or substantially all the debts of the Issuer or the Guarantor or any Material Subsidiary, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee (such approval not to be unreasonably withheld or delayed having regard to, and taking into account, the interests of Bondholders only) or by an Extraordinary Resolution of the Bondholders or (ii) in the case of a Material Subsidiary, not arising out of the insolvency of such Material Subsidiary and under which all or substantially all of its assets are transferred to another member or members of the Group or to a transferee or transferees which immediately upon such transfer become(s) a Subsidiary;

- (h) **Winding-up, Disposals:** (I) an administrator is duly appointed, an order is made by a competent court or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or the Guarantor or any Material Subsidiary (and where possible is not discharged within 15 days), or the Issuer or the Guarantor or any Material Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, or (II) the Issuer or the Guarantor or any Material Subsidiary sells or disposes of all or substantially all of its assets or business whether as a single transaction or a number of transactions, related or not, other than a disposal of assets or business on arm's length terms of, the Issuer or the Guarantor or such Material Subsidiary as the case may be; except, in any such case, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger, consolidation or other similar arrangement (i) on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Material Subsidiary, not arising out of the insolvency of such Material Subsidiary and under which all or substantially all of its assets are transferred to another member or members of the Group or to a transferee or transferees which immediately upon such transfer become(s) a Subsidiary;
- (i) **Expropriation:** any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates (excluding any distraint or attachment prior to enforcement or foreclosure) all or substantially all of the assets or shares of the Issuer or the Guarantor or any Material Subsidiary;
- (j) **Guarantee:** the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect; or
- (k) **Analogous Events:** any event occurs which under the laws of England or, in the case of any Material Subsidiary, the laws of the relevant Material Subsidiary's place of incorporation or principal place of business has an analogous effect to any of the events referred to in paragraphs (e) to (i) above.

Provided that no such notice may be given unless an Event of Default shall have occurred and provided that, in the case of paragraphs (c), (d), (e), (f), (h)(II) and (i) (and, insofar as it relates to any such paragraph, paragraph (k)) and in addition, so far as the relevant event relates to a Material Subsidiary only, paragraphs (g) and (h)(I) (and, insofar as it relates to any such paragraph, paragraph (k)), no Event of Default shall occur unless the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Bondholders.

Upon any such notice being given to the Issuer, the Bonds will immediately become due and payable at their principal amount together with accrued interest as provided in the Trust Deed, provided that no such notice may be given unless an Event of Default shall have occurred and is continuing.

For the purposes of paragraph (d) above, any indebtedness which is in a currency other than US Dollars shall be translated into US Dollars at the middle spot rate for the sale of US Dollars against the purchase of the relevant currency quoted by any leading bank selected by the Trustee on any day when the Trustee requests a quotation for such purposes.

13. Undertakings

(a) *Deed Poll*

Whilst any Exchange Right or any Share Exchange Right remains exercisable, the Guarantor will, save with the approval of an Extraordinary Resolution or the prior written approval of the Trustee where, in the Trustee's opinion, it is not materially prejudicial to the interests of the Bondholders to give such approval or, in the case of an amendment to the Deed Poll, unless the amendment is agreed by the Trustee as provided in Condition 16(b) or 16(c), perform all of its obligations under, and not make any amendment to, the Deed Poll.

(b) *Undertakings of the Guarantor*

Whilst any Exchange Right or any Share Exchange Right remains exercisable, the Guarantor will, save with the approval of an Extraordinary Resolution or with the approval of the Trustee where, in the Trustee's opinion, it is not materially prejudicial to the interests of the Bondholders to give such approval:

- (i) be the beneficial owner of all of the ordinary share capital of the Issuer;
- (ii) at all times keep available for issue free from pre-emptive rights (where necessary) out of its authorised but unissued capital a sufficient number of Ordinary Shares to enable the obligation of the Issuer to procure that Preference Shares be exchanged for Ordinary Shares pursuant to the exercise of a Share Exchange Right, and all other rights of subscription and exchange for Ordinary Shares, to be satisfied in full at the current subscription prices or exchange prices;
- (iii) other than in connection with a Newco Scheme, not issue or pay up any securities, in either case by way of capitalisation of profits or reserves, other than (A) by the issue of fully paid Ordinary Shares or other shares or securities to the holders of Ordinary Shares and other holders of shares in the capital of the Guarantor which by their terms entitle the holders thereof to receive Ordinary Shares or other shares or securities on a capitalisation of profits or reserves, (B) by the issue of Ordinary Shares paid up in full out of distributable profits or reserves (in accordance with applicable law) and issued wholly, ignoring fractional entitlements, in lieu of the whole or part of a cash dividend, (C) by the issue of fully paid equity share capital (other than Ordinary Shares) to the holders of equity share capital of the same class and other holders of shares in the capital of the Guarantor which by their terms entitle the holders thereof to receive equity share capital (other than Ordinary Shares) on a capitalisation of profits or reserves; or (D) by the issue of Ordinary Shares or any equity share capital to, or for the benefit of, any employee or former

employee, director or executive holding or formerly holding executive office of the Guarantor or any of its Subsidiaries or any associated company or to trustees or nominees to be held for the benefit of any such person, in any such case pursuant to an employee, director or executive share or option or incentive scheme whether for all employees, directors, or executives or any one or more of them or for the purpose of any employee director or executive share, option or incentive scheme in existence on the Closing Date or which may following the Closing Date be approved by the Guarantor in general meeting, unless in any such case the same constitutes a Dividend or otherwise gives (or in the case of an issue or payment up of securities in connection with a Relevant Event will give) rise (or would, but for the provisions of Article 2.5.5(g) of the Articles of the Issuer, give rise) to an adjustment to the Exchange Price in accordance with the terms of the Articles of the Issuer or is (or, in the case of any issue or payment up of securities in connection with a Relevant Event, will be) otherwise taken into account for the purposes of determining whether such an adjustment should be made;

- (iv) not in any way modify the rights attaching to the Ordinary Shares with respect to voting, dividends or liquidation nor issue any other class of equity share capital carrying any rights which are more favourable than such rights but so that nothing in this sub-paragraph (iv) shall prevent (A) the issue of equity share capital to employees or former employees or directors (including directors holding or formerly holding executive office or the personal service company of any such person) (or the spouse or relative of any such person) whether of the Guarantor or any of its subsidiary or associated companies by virtue of their office or employment for the purpose of any employee, director or executive share or option or incentive scheme or plan in existence on the Closing Date or which may following the Closing Date be approved by the Guarantor in general meeting; (B) any consolidation or sub-division of the Ordinary Shares or the conversion of any Ordinary Shares into stock or vice versa; (C) any modification of such rights, or any such issue which is not, in the determination in good faith of an Independent Financial Adviser, materially prejudicial to the interests of the Bondholders; (D) without prejudice to any rule of law or legislation (including regulations made under Sections 783, 784(3), 785 and 788 of the Companies Act 2006 or any other provision of that or any other legislation), the conversion of Ordinary Shares into, or the issue of any Ordinary Shares in, uncertificated form (or the conversion of Ordinary Shares in uncertificated form to certificated form) or the amendment of the Articles of Association of the Guarantor to enable title to securities of the Guarantor (including Ordinary Shares) to be evidenced and transferred without a written instrument or any other alteration to the Articles of Association of the Guarantor made in connection with the matters described in this sub-paragraph (iv) or which is supplemental or incidental to any of the foregoing (including any amendment made to enable or facilitate procedures relating to such matters and any amendment dealing with the rights and obligations of holders of securities, including Ordinary Shares, dealt with under such procedures); (E) any issue of equity share capital where the issue of such equity share capital results (or would, but for the provisions of any other Condition or the Articles of the Issuer, otherwise result) in an adjustment of the Exchange Price; or (F) any issue of equity share capital or modification of rights attaching to the Ordinary Shares where prior thereto the Guarantor shall have instructed an Independent Financial Adviser to determine in good faith what (if any) adjustments should be made to the Exchange

Price as being fair and reasonable to take account thereof and such Independent Financial Adviser shall have determined in good faith either that no adjustment is required or that an adjustment is required and, if so, the new Exchange Price as a result thereof and the basis upon which such adjustment is to be made and, in any such case, the date on which the adjustment shall take effect (and so that the adjustment shall be made and shall take effect accordingly);

- (v) except as part of any employee, director or executive share or option or incentive scheme or for the purpose of any employee director or executive share, option or incentive scheme in existence on the Closing Date or which may following the Closing Date be approved by the Guarantor in general meeting, procure that no securities (whether issued by the Guarantor or any of its Subsidiaries or procured by the Guarantor or any of its Subsidiaries to be issued) issued without rights to convert into or exchange or subscribe for Ordinary Shares shall subsequently be granted such rights exercisable at a consideration per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share at close of business on the last dealing day preceding the date of the announcement of the proposed inclusion of such rights unless the same gives rise (or would but for the provisions of Article 2.5.5(g) of the Articles of the Issuer give rise) to an adjustment of the Exchange Price and that at no time shall there be in issue Ordinary Shares of different nominal values save where such Ordinary Shares have the same economic rights;
- (vi) not make any issue, grant or distribution or take any other action if the effect thereof would be that, on the conversion of the Bonds and the exchange of the Preference Shares, Ordinary Shares would (but for the provisions of the Articles of the Issuer) have to be issued at a discount or otherwise could not, under any applicable law then in effect, be legally issued as fully paid;
- (vii) not reduce its issued ordinary share capital, ordinary share premium account or capital redemption reserve or any uncalled liability in respect thereof except (A) pursuant to the terms of issue of the relevant ordinary share capital; (B) by means of a purchase or redemption of ordinary share capital of the Guarantor; (C) as permitted by Sections 610(2) and (3) of the Companies Act 2006; (D) where the reduction does not involve any distribution of assets; (E) where the reduction results in (or would but for the provisions of Article 2.5.5(g) of the Articles of the Issuer result in) an adjustment to the Exchange Price under the provisions of the Articles of the Issuer or is otherwise taken into account for the purposes of determining whether such an adjustment should be made; (F) solely in relation to a change in the currency in which the nominal value of the Ordinary Shares is expressed; (G) a reduction of share premium account to facilitate the writing off of goodwill arising on consolidation which requires the confirmation of the Court of Session and which does not involve the return, either directly or indirectly, of an amount standing to the credit of the share premium account of the Guarantor and in respect of which the Guarantor shall have tendered to the Court of Session such undertaking as it may require prohibiting, so long as any of the Bonds remains outstanding, the distribution (except by way of capitalisation issue) of any reserve which may arise in the books of the Guarantor as a result of such reduction; (H) by way of transfer of reserves as permitted under applicable laws; (I) to create distributable reserves; (J) pursuant to a Newco Scheme; (K) where the reduction is permitted by applicable

law and the Trustee is advised by an Independent Financial Adviser, acting as an expert, that the interests of the Bondholders will not be materially prejudiced by such reduction and the Trustee may rely on such advice without responsibility or liability to the Bondholders or any other person; or (L) where the reduction is permitted by applicable law and results (or, in the case of a reduction in connection with a Relevant Event, will result) in (or would, but for the provisions of Article 2.5.5(g) of the Articles of the Issuer relating to roundings or the carrying forward of adjustments, result in) an adjustment to the Exchange Price or is (or, in the case of a reduction in connection with a Relevant Event, will be) otherwise taken into account for the purposes of determining whether such an adjustment should be made, provided that, without prejudice to the other provisions of these Conditions and the Articles of the Issuer, the Guarantor may exercise such rights as it may from time to time enjoy pursuant to applicable law to purchase its Ordinary Shares and any depositary or other receipts or certificates representing Ordinary Shares without the consent of Bondholders;

- (viii) if any offer is made to all (or as nearly as may be practicable all) holders of Ordinary Shares or all (or as nearly as may be practicable all) such holders other than the offeror and/or any associates of the offeror (as defined in Section 988(1) of the Companies Act 2006), to acquire all or a majority of the issued ordinary share capital of the Guarantor, or if any person proposes a scheme (other than a Newco Scheme) with regard to such acquisition, give notice of such offer or scheme to the Trustee and the Bondholders in accordance with Condition 19, at the same time as any notice thereof is sent to the Guarantor's shareholders (or as soon as practicable thereafter) stating that details concerning such offer or scheme may be obtained from the specified offices of the Paying, Transfer and Exchange Agents and, where such an offer or scheme has been recommended by the Board of Directors or such offer has become or been declared unconditional in all respects, use its reasonable endeavours to procure that a like offer or scheme is extended to the holders of any Ordinary Shares issued during the period of the offer or scheme arising out of the exercise of the Exchange Rights and/or to the holders of the Bonds;
- (ix) use all reasonable endeavours to ensure that the Ordinary Shares issued upon exchange of any Preference Shares will be admitted to the Official List of the UK Listing Authority and admitted to trading on an EEA Regulated Market of the London Stock Exchange, and that such Ordinary Shares will be listed, quoted or dealt in on any other stock exchange or securities market on which the Ordinary Shares may then be listed or quoted or dealt in;
- (x) in the event of a Newco Scheme, take (or shall procure that there is taken) all necessary action to ensure that (to the satisfaction of the Trustee) immediately upon completion of the scheme of arrangement, at its option, either (a) Newco is substituted under the Bonds and the Trust Deed and the Deed Poll as principal obligor in place of the Issuer and the Guarantor (with the Issuer and the Guarantor providing a joint and several guarantee) subject to and as provided in the Trust Deed; or (b) Newco becomes a guarantor under the Bonds and the Trust Deed and the Deed Poll (jointly and severally with the Guarantor) and, in either case, that such other adjustments are made to these Conditions, the Trust Deed, the Deed Poll and Articles of the Issuer to ensure that the Bonds may be converted into or exchanged (whether by the exchange for preference shares or otherwise) for

ordinary shares of Newco *mutatis mutandis* in accordance with and subject to these Conditions, the Trust Deed and the Articles of the Issuer as the Trustee shall, in its opinion, think fit; and

- (xi) in accordance with its obligations under the Deed Poll, undertake to procure the performance by the Issuer of all the Issuer's obligations with respect to the exercise of the Exchange Rights and the exercise of the Share Exchange Rights.

As used in these Conditions, "ordinary share capital" has the meaning ascribed to it in Section 1119 of the Corporation Tax Act 2010 and "equity share capital" has the meaning ascribed to it in Section 548 of the Companies Act 2006.

(c) ***Undertakings of the Issuer and the Guarantor***

Whilst any Bond remains outstanding, the Issuer will, and the Guarantor will procure that the Issuer will, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in the Trustee's opinion, it is not materially prejudicial to the interests of the Bondholders to give such approval:

- (i) comply with the obligations assumed by it under the Articles of the Issuer and not make any amendment to the Articles of the Issuer which would vary, abrogate or modify the rights appertaining to the Preference Shares;
- (ii) at all times, keep available for issue free from pre-emptive rights out of its authorised but unissued capital such number of Preference Shares as would enable all the unexercised Exchange Rights and any other rights of conversion into, subscription for and exchange into Preference Shares to be satisfied in full;
- (iii) not issue any other share capital with rights which are more favourable than the rights attaching to the Preference Shares in respect of dividends or payment of the Paid-up Value thereof on a return of capital or otherwise;
- (iv) not cause the Paid-up Value of the Preference Shares to be altered (whether by consolidation or sub-division of the Preference Shares or otherwise); and
- (v) except with the prior written consent of the Trustee pursuant to the Trust Deed, not alter those provisions of the Trust Deed which are expressed to be binding only as between the Issuer and the Guarantor and not directly enforceable by Bondholders,

provided that the creation or issue of any class of share capital ranking junior to or *pari passu* with the Preference Shares shall be deemed not to be a variation, abrogation or modification of the rights appertaining to the Preference Shares.

14. Prescription

Claims against the Issuer or the Guarantor in respect of the principal amount, interest or any other amount payable in respect of the Bonds shall become void unless presentation for payment is made as required by Condition 10 within a period of 10 years in the case of principal and five years in the case of interest or any other amounts from the appropriate Relevant Date.

15. Replacement of Bonds

If any Bond is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying, Transfer and Exchange Agent or the Registrar for the time being subject to all applicable laws and stock exchange requirements, upon payment by the claimant of such costs and expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Guarantor may require. Mutilated or defaced Bonds must be surrendered before replacements will be issued.

16. Meetings of Bondholders, Modification and Waiver

(a) *Meetings of Bondholders*

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed or the Deed Poll or the Articles of the Issuer (in the case of the Articles of the Issuer, which would vary, abrogate or modify the rights appertaining to the Preference Shares). Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee at the request of Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented, except that at any meeting the business of which includes modifying the Final Maturity Date, or any date for payment of interest on the Bonds, reducing or cancelling the principal amount of, or the rate of interest payable in respect of, or altering the currency of payment of, the Bonds, increasing the Exchange Price other than in accordance with the Articles of the Issuer, modifying or varying the Exchange Rights in respect of the Bonds or the Share Exchange Rights or modifying certain of these Conditions or certain of the provisions of the Trust Deed, the Deed Poll or the Articles of the Issuer (in the case of the Articles of the Issuer, which would vary, abrogate or modify the rights appertaining to the Preference Shares), the quorum shall be one or more persons holding or representing not less than two-thirds in principal amount of the Bonds for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-quarter in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Bondholders shall be binding on all the Bondholders, whether or not they are present at the meeting.

(b) *Waiver*

The Trustee may, without any consent or sanction of the Bondholders and without prejudice to its rights in respect of any subsequent breach, condition, event or act, from time to time and at any time, but only if and in so far as in its opinion the interests of the Bondholders shall not be materially prejudiced thereby, authorise or waive, on such terms and conditions (if any) as shall seem expedient to it, any breach or proposed breach of any of the covenants or provisions contained in the Trust Deed or the Bonds or determine that any Event of Default or Potential Event of Default shall not be treated as such for the purposes of the Trust Deed; any such authorisation, waiver or determination shall be binding on the

Bondholders and, if, but only if, the Trustee shall so require, the Issuer shall cause such authorisation, waiver or determination to be notified to the Bondholders as soon as practicable thereafter in accordance with the Condition relating thereto; provided that the Trustee shall not exercise any powers conferred upon it by this provision in contravention of any express direction by an Extraordinary Resolution or of a request in writing made under Condition 12 made by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding (but so that no such direction or request shall affect any authorisation, waiver or determination previously given or made).

(c) ***Modifications***

The Trustee may from time to time and at any time without any consent or sanction of the Bondholders concur with the Issuer and the Guarantor in making (i) any modification to the Trust Deed or the Bonds provided the Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Bondholders or (ii) any modification to the Trust Deed or the Bonds if in the opinion of the Trustee such modification is of a formal, minor or technical nature or made to correct a manifest error or to comply with mandatory provisions of law or (iii) any modification to effect, at the express request of the Issuer, the removal of the Share Settlement Option. Any such modification shall be binding on the Bondholders and, unless the Trustee agrees otherwise, the Issuer shall cause such modification to be notified to the Bondholders as soon as practicable thereafter in accordance with the Conditions.

(d) ***Substitution***

The Trustee may, without the consent of the Bondholders, agree to the substitution, in place of the Issuer (or of any previous substitute under this provision) of the Guarantor or any Subsidiary of the Guarantor (hereinafter called the "Substituted Obligor") as the principal debtor hereunder if:

- (i) a trust deed is executed or some other written form of undertaking is given by the Substituted Obligor to the Trustee, in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed, the Agency Agreement and the Bonds with any consequential amendments which the Trustee may deem appropriate, as fully as if the Substituted Obligor had been named in the Trust Deed and the Agency Agreement and on the Bonds as the principal debtor in place of the Issuer (or of any previous substitute under this provision);
- (ii) the Issuer, the Guarantor and the Substituted Obligor execute such other deeds, documents and instruments (if any) as the Trustee may require in order that the substitution is fully effective and (unless the Substituted Obligor is the Guarantor) the Guarantee contained in clause 4 (*Guarantee and Indemnity*) of the Trust Deed is fully effective in relation to the obligations of the Substituted Obligor and comply with such other requirements as the Trustee may direct in the interests of the Bondholders; and
- (iii) the Trustee has been provided with certification from (a) the Substituted Obligor that it has obtained all governmental and regulatory approvals and consents necessary for its assumption of liability as principal debtor in respect of the Bonds in place of the Issuer (or such previous substitute as aforesaid), (b) the Guarantor

that it has obtained all governmental and regulatory approvals and consents necessary for the guarantee to be fully effective as described in sub-paragraph (ii) above and (iii) such approvals and consents are at the time of substitution in full force and effect.

If pursuant to the law of the country of incorporation of the Substituted Obligor, the assumption by the Substituted Obligor of its obligations under the Trust Deed imposes responsibilities on the Trustee over and above those which have been assumed under the Trust Deed, the Trustee shall be entitled to retire from its appointment as Trustee before such Substituted Obligor assumes any obligations under the Trust Deed.

If any two directors of the Substituted Obligor certify that immediately prior to the assumption of its obligations as Substituted Obligor under the Trust Deed the Substituted Obligor is solvent after taking account of all prospective and contingent liabilities resulting from its becoming the Substituted Obligor, the Trustee need not have regard to the financial condition, profits or prospects of the Substituted Obligor or compare the same with those of the Issuer or the Guarantor (or of any previous substitute under this provision).

In connection with any proposed substitution, the Trustee shall not have regard to, or be in any way liable for, the consequences of such substitution for individual Bondholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Bondholders shall, in connection with any such substitution, be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon individual Bondholders.

(e) ***Entitlement of the Trustee***

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the general interests of the Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders (whatever their number) and, in particular, but without limitation shall not have regard to the consequences of any such exercise for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer, the Guarantor or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

17. Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer or the Guarantor as it may think fit to enforce the provisions of the Trust Deed and the Bonds, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed or the Bonds unless (i) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (ii) it shall have been indemnified and/or secured to its satisfaction. No Bondholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the

Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

18. The Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including relieving it from taking action unless indemnified and/or secured to its satisfaction.

The Trustee is entitled *inter alia*:

- (i) to enter into business transactions with the Issuer or the Guarantor, and/or the Subsidiaries of the Guarantor and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to the Issuer or the Guarantor and/or the Subsidiaries of the Guarantor and any entity related to the Issuer or the Guarantor without accounting for any profit;
- (ii) to rely without liability to Bondholders on a report, confirmation or certificate of any accountants, financial advisers or investment bank, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise;
- (iii) to accept and rely on any such report, confirmation or certificate where the Issuer or the Guarantor procures delivery of the same pursuant to its obligation to do so under a condition hereof and such report, confirmation or certificate shall be binding on the Issuer, the Guarantor, the Trustee and the Bondholders in the absence of manifest error;
- (iv) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of or consequences for individual Bondholders;
- (v) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith; and
- (vi) to call for and be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing a certificate signed on behalf of the Issuer or the Guarantor by two directors of the Issuer or the Guarantor as to any fact or matter upon which the Trustee may, in the exercise of any of its trusts, duties, powers, authorities, rights and discretions under the Trust Deed, require to be satisfied or have information, or to the effect that in the opinion of the person so certifying any particular transaction or thing is expedient, and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any loss that may be occasioned by the Trustee acting on such certificate.

19. Notices

All notices regarding the Bonds will be valid if sent to the address of the relevant Bondholder as specified in the Register. The Issuer shall also ensure that all notices are duly published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed and/or

admitted to trading. Any such notice shall be deemed to have been given on the date of such notice. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

20. Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further notes, bonds or debentures either having the same terms and conditions in all respects as the outstanding notes, bonds or debentures of any series (including the Bonds) or in all respects except for the first payment of interest on them and so that such further issue shall be consolidated and form a single series with the outstanding notes, bonds or debentures of any series (including the Bonds) or upon such terms as to interest, conversion, premium, redemption and otherwise as the Issuer may determine at the time of their issue. Any further notes, bonds or debentures forming a single series with the outstanding notes, bonds or debentures of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other notes, bonds or debentures may, with the prior written consent of the Trustee, be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of notes, bonds or debentures of other series in certain circumstances where the Trustee so decides.

21. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

22. Governing Law and Jurisdiction

The Trust Deed, the Agency Agreement, the Deed Poll and the Bonds and any non-contractual obligations arising out of or in connection with the same are governed by English law. Each of the Issuer and the Guarantor has in the Trust Deed submitted to the jurisdiction of the English courts in respect of any disputes that may arise out of or in connection with the Bonds and the Trust Deed ("Proceedings") and has appointed the Guarantor as its agent for service of process in connection with any Proceedings in England.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Bond contains provisions which apply to the Bonds while they are in global form, some of which will modify the effect of the terms and conditions of the Bonds. The following is a summary of certain of those provisions.

1. Exchange for Definitive Registered Bonds

The Global Bond is exchangeable in whole but not in part (free of charge to the holder) for Definitive Registered Bonds (1) if the Global Bond is held on behalf of Euroclear or Clearstream, Luxembourg or such other clearing system as shall have been approved by the Trustee (the “Alternative Clearing System”), and any such clearing system is closed for business for a continuous period of 14 days or more (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so by such holder giving notice to the Principal Paying, Transfer and Exchange Agent; or (2) if the Issuer would suffer a material disadvantage in respect of the Bonds as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 11 which would not be suffered were the Bonds in definitive form and a certificate to such effect signed by two directors of the Issuer is delivered to the Trustee, by the Issuer giving notice to the Principal Paying, Transfer and Exchange Agent and the Bondholders, of its intention to exchange the Global Bond for Definitive Registered Bonds on or after the Exchange Date specified in the notice.

On or after the Exchange Date the holder of the Global Bond may surrender it to or to the order of the Registrar. In exchange for a Global Bond, the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Registered Bonds.

“**Exchange Date**” means a day falling not less than 60 days after that on which the notice requiring exchange is given (as specified in such notice) and on which banks are open for business in the city in which the specified office of the Registrar is located and except in the case of exchange pursuant to (1) above in the cities in which Euroclear and Clearstream, Luxembourg or, if relevant, the Alternative Clearing System are located.

Except as otherwise described herein, each Global Bond is subject to the Conditions and the Trust Deed and until it is exchanged for Definitive Registered Bonds, its holder shall be entitled to the same benefits as if it were the holder of the Definitive Registered Bonds for which it may be exchanged and as if such Definitive Registered Bonds had been issued on the date of the Global Bond.

2. Payments

Payments of amounts falling due in respect of a Global Bond will be made against presentation for endorsement and, if no further payment falls to be made on it, surrender of the Global Bond to or to the order of the Principal Paying, Transfer and Exchange Agent or such other Paying, Transfer and Exchange Agent as shall have been notified to the Bondholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Global Bond, which endorsement will be *prima facie* evidence that such payment has been made.

3. Notices

So long as the Global Bond is held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System notices required to be given to Bondholders may be given by their being delivered to Euroclear and Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System, rather than by notification as required by the Conditions in which case such notices shall be deemed to have been given to Bondholders on the date of delivery to Euroclear and Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System.

4. Prescription

Claims in respect of principal, interest and other amounts payable in respect of the Global Bond will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest or any other amounts) from the appropriate Relevant Date (as defined in Condition 4).

5. Meetings

The holder of the Global Bond shall be treated as one person for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each US\$1,000 principal amount of Bonds for which the Global Bond may be exchanged.

6. Purchase and Cancellation

Cancellation of any Bond represented by the Global Bond which is required by the Conditions to be cancelled will be effected by reduction in the principal amount of the Global Bond on its presentation to or to the order of the Principal Paying, Transfer and Exchange Agent.

7. Exchange Rights

For so long as the Global Bond is held on behalf of any one or more of Euroclear, Clearstream, Luxembourg or the Alternative Clearing System, Exchange Rights (as defined in the Conditions) may be exercised at any time during the Exchange Period by the presentation to or to the order of the Principal Paying, Transfer and Exchange Agent of a Global Bond for appropriate notation, together with one or more Exchange Notices duly completed by or on behalf of a holder of a book-entry interest.

8. Redemption at the Option of Bondholders

The option of the Bondholders provided for in Condition 9(d) may be exercised by the holder of a Global Bond giving notice to the Principal Paying, Transfer and Exchange Agent within the time limits relating to the deposit of Bonds as set out in Condition 9(d), substantially in the form of the Put Exercise Notice available from the Principal Paying, Transfer and Exchange Agent and stating the principal amount of Bonds in respect of which the option is exercised and at the same time presenting the Global Bond to the Principal Paying, Transfer and Exchange Agent for annotation accordingly.

DESCRIPTION OF PREMIER OIL FINANCE (JERSEY) LIMITED

Introduction

The Issuer was incorporated in Jersey (registered number 97486) on 18 May 2007 as a no par value public company limited by shares under the Companies (Jersey) Law 1991 (as amended) under the name Premier Oil Finance (Jersey) Limited with its registered address at 22 Grenville Street, St. Helier, Jersey JE4 8PX, telephone number +44 1534 609000.

Business of the Issuer

The Issuer is a wholly-owned subsidiary of the Guarantor and its sole purposes are (i) to issue the 2014 Bonds and the 2014 Preference Shares into which the 2014 Bonds are convertible; (ii) to issue the Bonds and the Preference Shares into which the Bonds are convertible; (iii) to grant the loan of the proceeds of the issue of the 2014 Bonds to the Guarantor; and (iv) to guarantee certain credit facilities of the Group and certain hedging arrangements of the Group. Since the date of its incorporation, the Issuer has issued the 2014 Bonds and entered into contracts in connection with the matters described in this paragraph.

Share Capital of the Issuer

The Issuer has no subsidiaries. The Issuer is authorised to issue an unlimited number of limited liability shares with no par value. The Issuer can issue Founders' Shares, 2014 Preference Shares or Preference Shares. Founders' Shares are issuable at an agreed issue price of US\$1.00. 2014 Preference Shares are issuable at an agreed issue price of US\$1,000 each and Preference Shares are issuable at an agreed issue price of US\$1,000 each.

As at the date of this Offering Circular, the issued share capital of the Issuer is two Founders' Shares of US\$1.00 each.

Corporate Administration

State Street Administration Services (UK) Limited of 9th Floor, 20 Churchill Place, London, E14 5HJ, will act, or procure that a subsidiary acts, as the administrator of the Issuer (the "Issuer Administrator") pursuant to the terms of an issuer administration agreement entered into between the Issuer and the Issuer Administrator. In consideration of the foregoing, the Issuer Administrator is entitled to receive various fees payable by the Issuer at rates agreed upon from time to time, plus expenses.

Management and Employees

The Issuer has no employees. The Issuer's directors are listed below in the section entitled "*Directors and Secretary*".

Directors and Secretary

The directors of the Issuer and their other principal activities as at the date hereof are as follows:

Name

Other principal activities

Robin Allan	Director, Business Units, Premier Oil plc
Tony Durrant	Finance Director, Premier Oil plc
Neil Hawkings	Operations Director, Premier Oil plc
Simon Lockett	Chief Executive, Premier Oil plc
Andrew Lodge	Exploration Director, Premier Oil plc

The company secretary of the Issuer is State Street Secretaries (UK) Limited of 9th Floor, 20 Churchill Place, London, E14 5HJ on 22 October 2012.

The business address of the directors is 23 Lower Belgrave Street, London SW1W 0NR.

Directors' Interests

No director of the Issuer has any interest in the promotion of, or any property acquired or proposed to be acquired by, the Issuer and no director of the Issuer has any conflict of interest and/or any potential conflict of interest between any of his duties to the Issuer and his private interests and/or other duties. As a matter of Jersey law, each director of the Issuer is under a duty to act honestly and in good faith with a view to the best interests of the Issuer, regardless of any other directorships he may hold.

Financial Statements and Auditors' Report

The Issuer prepares and publishes audited financial statements on an annual basis, which will be filed in accordance with Jersey Law. The Issuer only prepares audited annual financial statements.

The Issuer has an accounting reference date of 31 December. The auditors appointed in respect of the Issuer are Deloitte LLP of 2 New Street Square, London EC4A 3BZ. The Issuer's 2010 and 2011 Financial Statements have each been audited without qualification by Deloitte LLP as authorised auditors of a Jersey incorporated company pursuant to Part 16 of the Companies (Jersey) Law 1991 as amended.

The audited annual financial statements are available free of charge at the offices of the Issuer and Issuer Administrator.

DESCRIPTION OF THE PREMIER OIL GROUP

For technical terms used in this section – See “Glossary of Technical Terms”.

Overview

The Guarantor is an international oil and gas exploration and production company headquartered in London. The principal legislation under which the Guarantor acts is the Companies Act. The registered office of the Guarantor is 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN. The Guarantor’s head office is 23 Lower Belgrave Street, London SW1W 0NR (Tel: +44 (0)20 7730 1111).

The Guarantor was incorporated and registered in Scotland on 31 July 2002 with registered number SC234781. It acquired Premier Oil Group Limited (“**POGL**”) as part of a restructuring in 2003. POGL was originally incorporated and registered in Scotland on 10 April 1934.

The Group has current interests in ten countries around the world. As at 31 December 2011, the Group had a reserves and contingent resource base of 527 MMBOE. Production for the year ended 31 December 2011 was 40,400 BOEPD. Production for the first half of 2012 was 58,400 BOEPD.

In the financial year ended 31 December 2011, the Group achieved revenues of US\$826.8 million and a profit after tax of US\$171.2 million. In the half year to 30 June 2012, the Group achieved revenues of US\$744.3 million and a profit after tax of US\$145.8 million.

Strategy

The Group’s strategy is comprised of five main elements:

- Increasing near-term production to 75,000 BOEPD from its existing proven and probable reserves base;
- Promoting growth through further development projects and by commercialising the Group’s contingent resource base of 230 MMBOE, with a production target of 100,000 BOEPD in the medium term;
- Adding 200 MMBLS of reserves and resources through exploration in the period to 2014 by focusing on core geologies;
- Making value-adding acquisitions in the Group’s existing business units; and
- Maintaining a conservative financing plan.

History and development of the Group

The Group was founded 78 years ago in Scotland to pursue oil and gas exploration and production activities in Trinidad. In 1936, the Group’s holding company was publicly listed in London as Premier (Trinidad) Oilfields Limited, and for the next two decades the Group focussed on oil production in Trinidad.

The Group acquired its first interest in the North Sea in 1971. It expanded its presence on the UK continental shelf ("UKCS") when it merged with the Ball and Collins North Sea Consortium in 1977, gaining significant interests in the North Sea as well as properties in Sudan and West Africa.

In 1984, the Group purchased a 12.38 per cent. interest in the onshore oilfield at Wytch Farm in Dorset. This acquisition had a significant impact on the Group's reserve base and cash flow and continues today to make an important contribution to the Group's revenues. In December 2011, the Group acquired an additional 17.715 per cent. interest in the onshore oilfield at Wytch Farm taking the Group's total interest in Wytch Farm to 30.1 per cent..

In the late 1980s and early 1990s, the Group enjoyed a series of exploration successes, notably the discovery of the Qadirpur gas field in Pakistan in 1990, the Angus and Fife fields in the UKCS in 1983 and 1991 respectively and the Yetagun gas field in Myanmar in 1992.

In 1995, the Group acquired Pict Petroleum plc ("**Pict**"). Hess Corporation ("**Hess**"), which already had a substantial interest in Pict, became a 25 per cent. shareholder of the Group. As a result of the Pict acquisition, the Group participated in numerous further North Sea oil and gas fields, including the Fife, Fergus, Galahad and Scott fields. Supported by production revenue from the UKCS, the Group turned its attention to South East Asia with a view to developing energy resources to serve the region's rapidly expanding economies. In 1996, the Group acquired Sumatra Gulf Oil which gave it a majority interest in the Natuna Sea Block A offshore Indonesia, comprising the Anoa oil field and substantial gas reserves, as well as exploration prospects. The Group also acquired Discovery Petroleum NL of Australia, thereby obtaining an interest in the Kakap licence, also in the Natuna Sea, which added oil and gas reserves and provided access to further prospective exploration acreage. The Group was the original licensee of concessions M13 and M14 in Myanmar, when they were awarded in 1990. Shortly afterwards, the Group farmed out its interests to a subsidiary of Texaco, which became the operator, and a subsidiary of Nippon Oil Corporation, whilst retaining a 30 per cent. interest. The Yetagun field was discovered in 1992 and development began in 1996. In late 1997, Texaco sold its entire interest of 30 per cent. and transferred the role of operator to the Group. At the same time the Group sold a 30 per cent. interest to Petronas. Construction of the pipeline and facilities for this field took place during 1998 and 1999. The field started production in May 2000.

In 1998, the Group and Shell brought together their exploration and production interests in Pakistan to form a joint venture company, Premier & Shell Pakistan B.V. ("**PSP**"). In May 2001, the Group announced an asset swap with Shell which dismantled the partnership and, in September 2001, a new joint venture company was formed with Kufpec to hold the interests in Pakistan, Premier-Kufpec Pakistan B.V. ("**PKP**"). This joint venture was unwound in 2007 with each of the co-venturers now owning its share of the assets directly.

To consolidate its position as a leading independent production company in the South East Asian energy markets, the Group formed a strategic alliance with Petronas and Hess in 1999. As part of the strategic alliance, each of Petronas and Hess owned a 25 per cent. equity interest in the Group. In September 2002, the Group agreed to transfer its entire Myanmar business to Petronas and part of the Indonesian West Natuna asset to subsidiaries of Petronas and Hess. In consideration for these transfers, Petronas and Hess cancelled their combined 50 per cent. shareholding in the Group and contributed US\$376 million in cash and debt repayment.

As part of the reorganisation, in 2003 the Guarantor acquired POGL and as a result became the holding company of the Group.

In 2005, the Group reorganised into four regional units: Asia, Middle East-Pakistan, North Sea and West Africa. This reorganisation took into account the successful entry into a number of new countries including Vietnam, Norway, Mauritania and the Congo. The West Africa regional unit which, at that time, was focussed on Mauritania and the Congo, was combined with the North Sea business unit in 2008. The Group also set up a joint venture with Emirates International Investment Company LLC ("**EIIC**") in 2008 to build a presence in the Middle East and North Africa regions.

In 2009, the Group acquired Oilexco North Sea Limited ("**Oilexco**") from administration, which added production, reserves and resources to the Group's North Sea unit. The acquisition provided the Group with a greater presence in the North Sea and strengthened its existing operations in the area by adding a material package of assets which comprises existing producing fields, development projects of existing discovered reserves and a portfolio of exploration prospects, together with UK operatorship capabilities.

In 2011, the Group served notice to withdraw from its licence (Marine XI) in the Congo and the Group's Africa business was combined with the Middle East-Pakistan unit.

In October 2011, the Group announced the acquisition of EnCore Oil plc, an AIM listed independent exploration and appraisal company. This transaction increased the Group's interest in the UK Catcher area to 50 per cent., providing the Group with the operatorship of the Catcher development and added to the Group's exploration position in the Central North Sea. This transaction completed in January 2012.

In July 2012, the Group announced the proposed acquisition of 60 per cent. of Rockhopper's interests in certain offshore production licences in the Falkland Islands. This includes an interest in the Sea Lion development project which is expected to significantly enhance the Group's resource base and future growth potential. This acquisition completed on 19 October 2012.

The Group today is independent and pursues its strategy of low-risk development of existing discovered reserves whilst maintaining shareholder leverage to material exploration upside. The Group is pre-funded for its committed development and committed exploration programmes.

As at 30 June 2012 the Group had cash resources and undrawn bank facilities of approximately US\$1,300 million and a gearing of 31 per cent.

Organisational structure

The Guarantor has three principal wholly-owned subsidiaries: POGL - through which it holds many of its project interests (project interests not held by POGL include the Group's interest in the Kyle field which the Guarantor holds directly); EnCore Oil Limited ("**EOL**") (formerly EnCore Oil plc) - which holds the UK and Irish interests that were acquired by the Group with the acquisition of EnCore Oil plc in early 2012; and the Issuer. POGL is a Scottish registered company and has four principal wholly-owned subsidiaries: Premier Oil Holdings Limited ("**POHL**"), Premier Oil UK Limited ("**POUKL**"), Premier Oil Overseas B.V. ("**POOBV**") and Premier Oil (Vietnam) Limited ("**POVL**").

POHL, a company registered in England and Wales, is also the parent company of several specially formed entities which hold the Group's interest in two PSCs in Mauritania ("**PSC A**" and "**PSC B**"), including the Group's interest in the Chinguetti field, the Group's interests in Norway and a number of other exploration assets.

POUKL, a Scottish registered company, and its wholly-owned subsidiaries hold the majority of the Group's UK producing assets.

POOBV, a Dutch registered company, holds the Group's wholly-owned subsidiaries, Premier Oil Kakap B.V. and Premier Oil Natuna Sea B.V., which hold, respectively, the Group's interests in Kakap and the Natuna Sea Block A, both of which are in Indonesia.

POOBV also holds the Group's wholly owned subsidiary Premier Oil Pakistan Holdings B.V. which has three wholly-owned subsidiaries, PKP Exploration Limited, PKP Kadanwari 2 Limited and PKP Kirthar 2 B.V., which hold, respectively, the Group's interests in Qadirpur and Zamzama, Kadanwari, and Bhit fields, all of which are located in Pakistan. Furthermore, POOBV holds the Group's wholly owned subsidiary Premier Oil Vietnam Offshore B.V. which holds part of the Group's interests in the Chim Sao oil field in Vietnam.

POVL, a company registered in the British Virgin Islands, holds part of the Group's interest in the Chim Sao oil field in Vietnam.

Description of Businesses and Operations

SOUTHEAST ASIA UNIT

The Group's operations in South East Asia comprise business units in Indonesia and Vietnam. The Group completed, in late 2011, two complex multi-year projects, the Chim Sáo and Gajah Baru field developments in Vietnam and Indonesia respectively.

Good performance from these fields underpinned the ramp-up in production achieved in the first half of 2012. Ongoing development activities continue with government approvals recently received for the Pelikan and Naga projects in the Natuna Sea and the Dua project in Vietnam. These operated near field developments are expected to help to maintain the Group's future production profile in South East Asia. In 2012, the Group has also seen exploration success in Indonesia with the Anoa Deep well, which opened up a new play for the Group.

Reserves and contingent resources attributable to the Group's South East Asian assets were estimated to be 234 MMBOE as at 30 June 2012, which accounts for 44 per cent. of the Group's total. Working interest production for the region for the half year ended 30 June 2012 was 28,400 BOEPD representing 49 per cent. of the Group's global production.

Indonesia

Reserves and contingent resources in Indonesia were estimated to be 170 MMBOE as at 30 June 2012, representing 32 per cent. of the Group's global total.

Natuna Sea Block A - producing asset, development projects & exploration, 28.67 per cent. operated interest

The Natuna Sea Block A licence was obtained by Sumatra Gulf Oil in 1979. Oil production from the Anoa field began in November 1990 from nine platform wells located in the East Lobe. Following the Group's acquisition of Sumatra Gulf Oil in 1996, additional development was undertaken with the installation of the processing and compression Anoa Gas Export platform and the West Natuna Transportation System ("WNTS") pipeline for gas export to Singapore.

Gas is currently produced from the Anoa and Gajah Baru gas fields in Natuna Sea Block A PSC and from fields in the Kakap PSC in which the Group also has an interest (see below). The two PSCs are located adjacent to each other some 500 kilometres north east of Singapore in the West Natuna Sea. Gas from the fields is exported to Singapore through the 650 kilometre WNTS pipeline.

Deliveries under a US Dollar gas contract ("**GSA1**") with SembCorp, a government-controlled Singaporean utility, commenced in January 2001 and are expected to continue under a "life of field" contract until 2029. SembCorp sells the gas to various end users including SUT Co-Gen, Tuas Power and Exxon Chemicals.

In April 2008 the Group signed three further fully termed GSAs ("**GSA2**", "**GSA3**" and "**GSA4**") with SembCorp for additional gas sales into the Singapore market, and with PLN and UBE for gas sales to be used in power generation in Batam, Indonesia. Gajah Baru is the first of a number of fields to be developed to supply the additional gas. Under GSA2, Gajah Baru is contracted to ship 90 BBTud to Singapore. An additional 40 BBTud of production is dedicated to Batam Island, Indonesia. Export of gas to Singapore from the Gajah Baru facilities commenced on 24 October 2011.

The Anoa gas facility is being upgraded through a series of engineering projects, collectively known as "Phase 4". The first phase of offshore construction commenced in July 2012 and the pre-fabricated compression modules have now been installed at the Anoa gas facility. The second phase of offshore construction is scheduled to take place in the summer of 2013. The series of engineering projects, which will develop around 200 BcF of undeveloped proven reserves on the Natuna Sea Block A and increase the capacity of the Anoa gas facility to approximately 200 BBTud, are scheduled to be completed in the second half of 2013.

Development work on the Pelikan and Naga fields is targeting first gas in late 2013. The Pelikan and Naga fields, which will be dedicated to maintaining the gas profiles of GSA1 and GSA2 respectively, will be tied in to the new Gajah Baru central processing platform for export via the WNTS. Work is then expected to commence on the next development project, the tie-in of the Gajah Puteri field, to maintain gas deliverability in the future.

During the first half of 2012, the Anoa and Gajah Baru fields sold an overall average of 215 BBTud (gross) from its gas export facility, while the non-operated Kakap Block contributed a further 54 BBTud (gross). Gas pricing is directly related to HSFO pricing which moves broadly in line with international crude prices. Average production for the first half of 2012 was 12,600 BOEPD net to the Group. Estimated 2P reserves and 2C contingent resources for the block as at 30 June 2012 were 78 MMBOE net to the Group. Partners in Natuna Sea Block A are Kufpec (33.33 per cent.), Hess (23 per cent.) and Petronas (15 per cent.).

Kakap field - producing asset, 18.75 per cent. non-operated interest

The Kakap field was discovered by a subsidiary of Marathon Oil in 1978, with well KG-IX, and first production commenced in March 1986. Kakap consists of 10 separate fields, which have been developed with a combination of platforms and subsea tie-backs to the Kakap FPSO, where the oil is stabilised and exported via tankers.

The Group acquired its interest in the Kakap field in December 1996 through the acquisition of Discovery Petroleum NL. Gas production started in 2001 and is sold under GSA1 to Singapore (SembCorp) as described above.

Average production from Kakap for the first half of 2012 was 2,100 BOEPD net to the Group. Estimated 2P reserves and 2C contingent resources for the block were 5 MMBOE as at 30 June 2012 net to the Group. Partners in the Kakap field are Star Energy (operator, 56.25 per cent.), PetroChina (15 per cent.), and Pertamina (10 per cent.).

Block A Aceh - development project and exploration, 41.67 per cent. non-operated interest

In April 2006, the Group acquired a 16.7 per cent. equity share in Block A Aceh (formerly North Sumatra PSC Block A) onshore Indonesia from a subsidiary of ExxonMobil. This equity interest was subsequently increased to 41.67 per cent. in January 2007. The block contains three undeveloped discoveries (Alur Siwah, Alur Rambong, and Julu Rayeu). The operator of Block A Aceh, MedcoEnergi ("**Medco**"), and its partners have secured approval from the Indonesian regulator, BPMIGAS, for the development plan of the block. A fully termed extension to the Block A Aceh PSC was executed with the Government of Indonesia and provincial Government of Aceh on 28 October 2010, with the extended PSC effective from 1 September 2011.

A gas contract with PT Pupuk Iskander Muda ("**PIM**") has been agreed for minimum sales of 223 TBtu with ultimate sales expected of over 400 TBtu. Gas will be delivered through a new 20 kilometre pipeline to a delivery point at an existing pipeline which will transport the gas to the PIM plant, approximately 70 kilometres away.

A well is scheduled to be drilled on the Matang prospect in the fourth quarter of 2012.

Estimated 2P reserves and 2C contingent resources for Block A Aceh were 87 MMBOE as at 30 June 2012 net to the Group. Partners in the field are Medco (operator, 41.67 per cent.) and Japex (16.66 per cent.).

Tuna Block - exploration, 65 per cent. operated interest

In March 2007, the Group was awarded a 65 per cent. operated interest in the Natuna "Tuna" offshore block by the Indonesian Government. The block is located adjacent to and immediately to the south of Block 07/03 in Vietnam in which the Group holds a 30 per cent. operated interest.

The Group drilled two wells - Gajah Laut Utara and Belut Laut - on the Tuna acreage in 2011. Both wells encountered oil shows but the reservoirs were of poor quality. Post-well studies from these wells were completed recently and two prospects, Kuda Laut and Singa Laut, have been identified for drilling in 2013.

The partners in Tuna are Mitsui Oil Exploration Company Limited (20 per cent.) and GS Caltex (15 per cent.)

Buton Block - exploration, 30 per cent. non-operated interest

In December 2006, the Group was awarded a 30 per cent. non-operated interest of an onshore exploration licence on Buton Island, Sulawesi, by the Indonesian Government. The block lies on the south eastern side of Buton Island. Oil seeps are prolific on the island and large volumes of oil have been generated as evidenced by the commercial asphalt mining operations that have been ongoing for many years.

The Benteng well was drilled earlier this year where it was discovered that there is potentially commercial oil accumulation in the shallow (at around 750 meters) limestone reservoirs of the Tondo foundation. Post-well work is in progress to determine the commercial viability of the discovery and the follow-on potential across the Buton block as a whole.

The partners in Buton are Japex (operator, 40 per cent.) and Kufpec (30 per cent.).

Vietnam

Estimated 2P reserves and 2C contingent resources in Vietnam were 64 MMBOE as at 30 June 2012, representing 12 per cent. of the Group's global total.

Block 12W - producing asset, development project and exploration, 53.125 per cent. operated interest

The Group acquired a 75 per cent. interest in Block 12W located in the Nam Con Son Basin from Delek Energy Systems Limited ("**Delek**") in 2004, and subsequently farmed-out part of its interest to Santos Limited leaving the Group with a 37.5 per cent. operated interest. In 2009, the Group acquired Delek's remaining 25 per cent. interest in Block 12W and PetroVietnam subsequently exercised its back-in-right to acquire a 15 per cent. interest. As a result, the Group holds a 53.125 per cent. interest in Block 12W, while Santos and PetroVietnam hold 31.875 per cent. and 15 per cent. respectively.

The area has similar geology to the West Natuna Sea area, approximately 300 kilometres to the south west. The Group announced two discoveries - Dua and Chim Sao - on the block in 2006. Chim Sao was successfully appraised in 2008. A field development plan for Chim Sao was submitted to the Vietnamese Government and approved in 2008 and the field was successfully brought on stream in mid-October 2011.

Average production in the first half of 2012 was 26,000 BOEPD (gross). Water injection to the Chim Sao wells, which commenced in June, is being ramped up to maintain reservoir pressure.

A two-well supplementary drilling programme, which was initiated to develop additional reservoirs, was also successfully completed in June this year.

The development of the Group-operated Dua oil field as a near field tie-back to the Chim Sao facilities received sanction from its partners in Block 12W in the second quarter of 2012 and approval from the Vietnamese Government in August 2012, with a plan to deliver first oil in 2014.

Block 07/03 - exploration, 30 per cent. operated interest

Block 07/03 is located in the Nam Con Son Basin, immediately to the south east of Block 12W which contains the Chim Sao and Dua fields.

In 2009, the CRD exploration well (07-CRD-1X) on Block 07/03 intersected approximately 90 metres net oil and gas pay within multiple stacked reservoir layers. This discovery was successfully appraised and tested in 2011. Integrated studies of both the CRD discovery and of the further exploration potential of Block 07/03 are nearing completion.

Partners in Block 07/03 are VAMEX (40 per cent.), Pearl Energy (15 per cent.), PetroVietnam (10 per cent.) and Pan Pacific Petroleum (5 per cent.).

Block 121 – exploration, 40 percent. non-operated interest

In the second quarter of 2012, the Group farmed into Block 121 for a non-operated participating interest of 40 per cent.. Premier has already identified one prospect, known as Ca Voi, which it plans to drill in early 2013, subject to rig availability. A successful Ca Voi well would also de-risk multiple leads elsewhere on Block 121.

Partners in Block 121 are Origin Energy (operator, 45 per cent.) and Pan Pacific Petroleum (15 per cent.)

NORTH SEA UNIT

The Group has business units in the United Kingdom and Norway operating from offices in Aberdeen and Stavanger respectively.

Estimated 2P reserves and 2C contingent resources in the Group's interests in the North Sea were 232 MMBOE as at 30 June 2012, 44 per cent. of the Group's total. With 13,600 BOEPD produced in the region in the first half of 2012, the United Kingdom accounted for 23 per cent. of the Group's total production.

United Kingdom

To date, all production from the North Sea has been from the United Kingdom, with exploration and development activities progressing in Norway. The development portfolio in the North Sea has moved forward significantly with new projects under construction (Huntington and Rochelle), new projects acquired (Solan), and several new projects progressing to sanction, the most significant of which is the development of the Catcher area.

The Group owns a 50 per cent. interest in the Catcher area and has the operatorship of Catcher, allowing the Group to work with the partnership group to optimise field development.

Balmoral Area (Balmoral, Glamis, Stirling, Brenda & Nicol fields) - producing asset, various operated interests

The Balmoral, Glamis, Stirling, Brenda & Nicol fields are located in Blocks 16/21a and 16/21b in the UK Central North Sea, 200 kilometres northeast of Aberdeen. The Group acquired its interest in the Balmoral area fields through its acquisition of Oilexco in 2009. The Balmoral area fields produce via a floating production facility located on the Balmoral field. Oil is transported via the Brae-Forties link to Cruden Bay and overland to Hound Point.

Production in the Balmoral area fields for the first half of 2012 was 5,500 BOEPD net to the Group. Estimated remaining 2P reserves and 2C contingent resources in the Balmoral area fields were 16 MMBOE as at 30 June 2012 net to the Group.

Wyth Farm - producing asset, 30.1 per cent., non-operated interest

The Group acquired a 12.38 per cent. interest in Wytch Farm in 1984. Wytch Farm is the largest oilfield onshore in Europe with over a billion barrels of oil-in-place. Development is entirely land based but includes two well sites in Furzey Island which are serviced by boat. Production is routed from remote well sites to the mainland gathering station process plant, and then evacuated via pipeline to the Hamble terminal near Southampton for tanker loading. The field development has been in three main phases, commencing with first oil in 1979. In 1990 the second phase increased production to over 60,000 BOPD to allow development of the major Sherwood reservoir and the third phase extended the Sherwood development offshore and increased production to over 100,000 BOPD.

In December 2011, the Group acquired an additional 17.715 per cent. in the field for an initial cash consideration of US\$96 million bringing the Group's total interest in Wytch Farm to 30.1 per cent..

Production from Wytch Farm was 4,300 BOEPD net to the Group in the first half of 2012. Estimated remaining 2P reserves and 2C contingent resources in the Wytch Farm area were 26 MMBOE as at 30 June 2012 net to the Group; and partners in Wytch Farm are Perenco UK Limited (operator, 50.1 per cent.), Maersk (7.43 per cent.), Talisman Energy Inc. (4.95 per cent.), and Summit Petroleum (7.42 per cent.).

Kyle - producing field, 40 per cent. non-operated interest

In 1995, the Group acquired a 20 per cent. interest in the P748 licence, which contains the Kyle oil field, through its acquisition of Pict. In 1997, the Group increased its equity interest in this oilfield from 20 per cent. to 35 per cent. by acquiring Mobil's remaining equity interest. In 2002, the Group purchased a further 5 per cent. interest for £3.44 million from ROC Oil Company Limited.

Following a successful extended well test with the Petrojarl-1 FPSO in 2000, the Kyle field has been developed via sub-sea wells connected to two manifolds (North and South) tied back 18 kilometres to the Maersk-operated Maersk Curlew FPSO. Oil and gas production via the Maersk Curlew FPSO began in 2001 and switched in 2005 to the Petrojarl Banff host processing facility.

There was no production from the Kyle oil and gas field in the first half of 2012. This was due to exceptionally adverse weather in December 2011 which caused the Banff FPSO, which handles Kyle production, to lose its anchors resulting in severe damage to the subsea risers. The Banff FPSO is currently anchored in Scapa Flow, Orkney Islands, where the reinstatement project is ongoing. The Kyle field is expected to be back on-stream in 2014. The lost production from the Kyle field is the subject of an ongoing business interruption and property damage insurance claim.

Estimated remaining 2P reserves and 2C contingent resources were 5 MMBOE as at 30 June 2012 net to the Group. Partners in Kyle are CNR (operator, 45.71 per cent.) and Dana Petroleum (14.29 per cent.).

Scott - producing field, 21.83 per cent. non-operated interest

The Group acquired a 1.798 per cent. equity stake in the 15/21 licence as part of its acquisition of Pict in 1995.

In May 2007, the Group announced the successful completion of a transaction to pre-empt Hess's proposed sale of its interest in part of the Scott field. Specifically, the Group increased its existing 1.798 per cent. holding to 21.83 per cent. for a net consideration of US\$52.6 million. Letters of

credit for approximately £53 million have been issued at the request of the Group in favour of Hess in respect of its share of any decommissioning or clean-up costs.

Production from the Scott and nearby Telford fields (in which the Group has a 1.6 per cent. interest) in the first half of 2012 averaged 3,600 BOEPD net to the Group. Estimated remaining 2P reserves and 2C contingent resources were 10 MMBOE as at 30 June 2012 net to the Group.

Nelson - producing asset, 1.65 per cent. non-operated interest

The large Nelson oil and gas field is located to the south east of the Forties field. Nelson was discovered in December 1987. Following an extensive appraisal drilling programme in the late 1980s, estimates of recoverable reserves were significantly increased. The field was subsequently developed using a conventional stand-alone fixed steel platform with one subsea template located six kilometres to the south. First oil was achieved in February 1994. Oil is exported via a spurline to the Forties Pipeline System and onwards to the BP-operated terminal facilities at Cruden Bay. Gas export is via the Fulmar pipeline to the Shell-operated terminal facilities at St Fergus. The Group acquired its 1.65 per cent. interest in the Nelson field when it acquired Oilexco in 2009.

Estimated remaining 2P reserves and 2C contingent resources were 1 MMBOE as at 30 June 2012 net to the Group.

Huntington - development project, 40 per cent. non-operated interest

The Group acquired a 40 per cent. non-operated interest in the Huntington oil field in 2009 as a result of the Oilexco acquisition. A field development plan was sanctioned in November 2010, utilising the Sevan Marine owned Voyageur FPSO.

Teekay acquired the Voyageur FPSO from Sevan Marine, and financed the completion of the upgrade of the vessel. This upgrade is now complete and the Voyageur FPSO sailed away in October 2012. First oil is targeted by the end of 2012. Offshore, the development drilling campaign has progressed well and it is hoped that higher than initially expected flow rates will be achieved.

2P reserves and 2C contingent resources were estimated at 13 MMBOE as at 30 June 2012 net to the Group. Partners in Huntington are E.ON (operator 25 per cent.), Noreco (20 per cent.) and Carrizo Oil and Gas (15 per cent.).

Rochelle - development project, 15 per cent. non-operated interest

Good progress has been made on the UK development project Rochelle, which comprises East and West Rochelle. The Rochelle project, in which the Group will hold a 15 per cent. unitised equity stake, will be developed via the Scott platform.

The first of the two development wells spudded on 1 August 2012 with first gas targeted for the end of the year.

Rochelle was estimated to have 4 MMBOE of 2P reserves and 2C contingent resources as at 30 June 2012 net to the Group. Partners in Rochelle are Endeavour (operator, 44 per cent.) and Nexen (41 per cent.).

The Catcher Block - development project, 50 per cent. operated interest

The Group acquired an interest in the Catcher area as a result of its 2009 Oilexco acquisition. The Catcher discoveries, beginning in 2010, pointed to much lighter oil than anticipated and proved that hydrocarbons have migrated to the western margins of the Central North Sea. Follow up wells were drilled between January and March 2011 discovering the Varadero and Burgman fields and appraising the Catcher North discovery. As a result of the acquisition of EnCore Oil plc in the first quarter of 2012, the Group increased its interest in the Catcher area by 15 per cent., taking the overall interest of the Group to 50 per cent. and giving the Group operatorship.

Technical studies on the project were progressed significantly during the first half of 2012 and, in August 2012, the Group made a development concept recommendation to the joint venture partners. Changes in ownership of the Catcher fields over the last six months have significantly reduced the uncertainty surrounding the funding for the development project. The Group currently anticipates early 2016 for first oil from the Catcher fields.

Remaining exploration potential in the Catcher Block is being assessed following the recent Carnaby discovery and an exploration programme is expected in 2013 which will further the overall development of the Catcher area.

Estimated 2P reserves and 2C contingent resources for the Catcher block were 45 MMBOE as at 30 June 2012 net to the Group. The partners in the Catcher area are Wintershall (20 per cent.) and Cairn (30 per cent.).

Solan - development project, 60 per cent. operated interest

In May 2011, the Group acquired a 60 per cent. equity interest in Solan and became the development operator of the field at the date of sanction. The Group also agreed to provide the seller of the 60 per cent. equity interest, Chrysaor Limited, with a carry and loan package to secure funding for the project. This US\$850 million project received field development plan approval from the Department of Energy and Climate Change in April 2012. The drilling rig contract, for development drilling in 2013 and 2014, was awarded to Awilco for the WilPhoenix semi-submersible rig, while the procurement and fabrication of the topsides and jacket will be undertaken by Burntisland Fabrications in Fife, Scotland. In addition, Drydocks World – Dubai has been awarded the contract for the fabrication of the subsea storage tank and Heerema will carry out all of the installation work. Construction of the topsides has already commenced while development drilling is scheduled to start in the first quarter of 2013. First oil from the 40 million barrel field is expected in the fourth quarter of 2014.

Estimated 2P reserves and 2C contingent resources for the Solan field were 26 MMBOE as at 30 June 2012 net to the Group. Chrysaor Limited is the Group's partner in the field with an equity stake of 40 per cent..

UK Exploration Assets

In addition to the producing and under development assets described above, the Group has a significant portfolio of UK exploration acreage largely focused on the western margins of the Central North Sea in similar play types to the Catcher area discoveries. Two further wells are planned this year; with one on the Spaniards East prospect on Block 15/25a (in which the Group has a 28 per cent. interest) located close to the Scott field, and the other (using the same rig used to drill

the well at the Spaniards East Prospect) on the Cyclone prospect on Block 21/7b (in which the Group has an operated 70 per cent. interest). Elsewhere in the North Sea, the high pressure temperature Lacewing prospect on Block 23/21 is also expected to spud in the last quarter of 2012. This will be operated by Conoco Phillips with the Group having a 20.2 per cent. interest.

Norway

The Group entered the Norwegian sector in 2005 and has built a portfolio of exploration and pre-development projects through licence rounds and operation success.

Frøy - development project, 50 per cent. non-operated interest

The Frøy oil field was abandoned in 2001 by a previous operator due to the imminent abandonment of the nearby Frigg field to which it was tied back. The Group was awarded a 50 per cent. non-operated interest in licence PL364 which contains the Frøy field in the 2005 APA licensing round.

Work on a stand-alone development of the Frøy field is on hold while the operators of the six fields in the Frøy area are undertaking technical and commercial studies to evaluate the possibility of an area development. The current phase of these studies is expected to be completed by the end of 2012 ahead of possible concept selection in the fourth quarter of 2013.

Estimated 2P reserves and 2C contingent resources were 37 MMBOE as at 30 June 2012 net to the Group. Det Norske Oljeselskap is the current operator of Frøy with a 50 per cent. interest.

Bream - development project, 40 per cent. non-operated interest

The Group was awarded the licence PL407 and PL406 in the APA licensing round which contains the Bream field. Discussions continue with the identified FPSO contractor for the Bream field development. A formal development plan is expected to be submitted in 2012. In May 2012, the Group purchased an additional 20 per cent. equity interest in the Bream project offshore Norway, bringing the Group's equity interest in the development to 40 per cent. A number of contracts are under tender for the facilities and drilling programme ahead of formal project sanction which is expected by the end of 2012.

Estimated 2P reserves and 2C contingent resources were 19 MMBLS as at 30 June 2012 net to the Group. Partners in the field are BG (operator, 40 per cent.) and Sprint Energy (20 per cent.).

Grosbeak/Skarfjell – appraisal project 20 per cent. non-operated interest

The 2009 Grosbeak discovery on licence PL 378 was appraised during 2011 with the primary well confirming the oil-water contact seen earlier. The partnership is now focussing on commercialising Grosbeak together with other discoveries in the area. To the north, a material oil discovery known as Skarfjell was made in April 2012. Mapping of the structure shows the discovery extending into licence PL 378, which contains the Grosbeak discovery. An appraisal well on the Skarfjell extension is planned for 2013.

Partners in the field are Wintershall (operator, 45 per cent.) and Talisman (35 per cent.).

OTHER INTERNATIONAL

The Group has non-operated producing assets in Pakistan, Mauritania and a number of other exploration interests in the Middle East/Africa region.

Estimated 2P reserves and 2C contingent resources in these areas were 68 MMBOE as at 30 June 2012, which represents 12 per cent. of the Group's total. With 16,400 BOEPD produced in the region in the first half of 2012, Africa and Pakistan accounted for 28 per cent. of the Group's total production.

Pakistan

The Group has been present in Pakistan since 1988, discovering the Qadirpur field in 1990. Since then, the Group has acquired interests in five other fields, all located in agricultural lowlands in the Indus basin. These fields are long-life gas projects with relatively low operating costs. All production is sold at the wellhead to the government-owned gas utilities, SSGCL and SNGPL. Revenues are denominated in US Dollars and funds are remitted directly to London bank accounts. No production has been lost as a result of political disturbances.

Average production in Pakistan during the first half of 2012 was 15,900 BOEPD net to the Group (being 27 per cent. of the Group's total production for that period). Production has been maintained by maximising output from existing gas fields through infill drilling and the implementation of front end compression projects.

Estimated 2P reserves and 2C contingent resources in Pakistan were 52 MMBOE as at 30 June 2012 net to the Group.

Qadirpur - producing asset, 4.75 per cent. non-operated interest

The Qadirpur gas field was discovered in 1990. The field was declared commercial in 1992 and production commenced in October 1995. The field operator is the state-owned oil and gas company, Oil and Gas Development Company ("OGDCL").

Phase I of the Qadirpur development was completed with gas supplies to SNGPL initially at the rate of 100 MMCFD from four wells. Shortly thereafter, gas sales were increased to 200 MMCFD and were maintained at that level until late 1999. In addition, in December 2000, raw gas supply started to the nearby Liberty power plant at 40 MMCFD.

Phases II and III of the Qadirpur development were completed in January 2004 expanding the gas plant capacity to 500 MMCFD. A project to enhance the plant capacity from 500 MMCFD to 600 MMCFD achieved first gas in the first quarter of 2008.

Average production from the Qadirpur gas field during the first half of 2012 was 3,900 BOEPD net to the Group. Production has been maintained at this level as a result of the successful installation of wellhead compressors and the completion of two extended reach wells. Work is also in progress for the installation of the two supplementary front end compressors. This is expected to maintain production plateau from the Qadirpur gas field during 2013.

The partners in the Qadirpur field are OGDCL (operator, 75 per cent.), Kufpec Pakistan B.V. (13.25 per cent.) and Pakistan Petroleum (7 per cent.).

Bhit and Badhra - producing asset, 6 per cent. non-operated interest

The Bhit gas field was discovered in 1997. The Bhit partners signed a GSPA with SSGCL in November 2000 for 270 MMCFD and initial gas sales were achieved in late December 2002. A supplemental GSPA to increase the Bhit annual contract quantity from 270 MMCFD to 300 MMCFD has since been signed by the gas buyer SSGCL and joint venture partners.

The nearby Badhra field (which was discovered in 1998) was appraised in 2003 and approved by the Pakistan Government in January 2004. First gas was in January 2008. Further field development is tied to Bhit Phase-2 development.

Production in the first half of 2012 from the Bhit/Badhra fields averaged 3,500 BOEPD net to the Group (with average production in 2011 being 3,400 BOEPD net to the Group).

The Bahdra 7 well was spudded in May 2012 and discovered a better than expected reservoir with over 55 metres of net gas pay penetrated. The well is expected to be tied back into the existing export infrastructure by the end of October 2012.

2P reserves and 2C contingent resources were estimated at 5 MMBOE as at 30 June 2012 net to the Group. Partners in the Bhit/Badhra field are ENI (operator, 40 per cent.), OGDCL (20 per cent.), Shell (28 per cent.) and Kufpec (6 per cent.).

Kadanwari - producing asset, 15.79 per cent. non-operated interest

The Kadanwari gas field was discovered in 1989 and brought on-stream in May 1995. The Group acquired its initial interest in the Kadanwari gas field in 1996. The gas is processed in a central processing facility, originally designed for gas sales capacity of 175 MMCFD.

Production from the Kadanwari gas field averaged 2,400 BOEPD net to the Group in the first half of 2012. In the first half of 2012, Kadanwari achieved record production of 130 MMSCFD (gross) due to the tie-in of additional new exploration wells. The K-29 development well was completed in April 2012 and is expected to be tied in to the production system in the fourth quarter of 2012. This will further help to maintain production plateau in 2013.

The first of a three-well pilot programme to test the tight gas potential of Kadanwari was drilled in the second quarter of 2012. The second well is expected to spud in the fourth quarter of 2012 with the third well planned early in the first quarter of 2013.

2P reserves and 2C contingent resources were estimated at 19 MMBOE as at 30 June 2012 net to the Group.

Partners in the Kadanwari field are ENI (operator, 18.42 per cent.), OGDCL (50 per cent.) and Kufpec (15.79 per cent.).

Zamzama - producing asset, 9.375 per cent. non-operated interest

The Zamzama gas field was discovered in May 1998 and five further appraisal and development wells were drilled in 2002 and 2003 which all proved successful with commercial gas flow at surface.

Gas contracts were signed in the fourth quarter of 2001 with SSGCL and SNGPL covering the supply of up to 320 MMCFD. Another gas supply contract was signed with SSGCL for an additional

supply of 150 MMCFD in 2005. A front end compression project is in progress. Zamzama is currently supplying approximately 430 MMSCFD. Further infill wells are planned to maintain current production levels.

Average production from the Zamzama gas field was 6,100 BOEPD net to the Group during the first half of 2012.

2P reserves and 2C contingent resources were estimated at 15 MMBOE as at 30 June 2012 net to the Group. Partners in the Zamzama field are BHP Billiton (operator, 38.5 per cent.), Government Holdings (Private) Limited (25 per cent.), ENI (17.75 per cent.) and Kufpec (9.375 per cent.).

Egypt

A 100 per cent. interest in the South Darag Block in the Gulf of Suez was awarded to the Group in March 2010 for a three year initial term. The award is awaiting government ratification which has been delayed by the political transition in Egypt.

Elsewhere in Egypt, the Group holds a 20 per cent. non-operated working interest in the North Red Sea Block 1. Studies are continuing to assess the further prospectivity of the block and to identify potential well locations.

Mauritania

Chinguetti - producing asset, 8.123 per cent. non-operated interest/Banda – development asset, 4.615 per cent. non-operated interest

The Group acquired an interest in offshore Mauritania through acquisitions in May and December 2003. These included the Chinguetti oil and Banda gas discoveries. Chinguetti oil field came on-stream in February 2006. The Group holds approximately 8.1 per cent. in the field generating 500 BOEPD during the first half of 2012. The Banda gas field (in which the Group has a 4.615 per cent. interest) is now under development with first gas targeted for late 2015. Geological studies continue to determine optimal locations for two further exploration wells in the area. It is expected that the first of the two commitment wells will be drilled in early 2013. Petronas is the operator of the Chinguetti field. Tullow Oil will operate the Banda development and the exploration areas.

Estimated remaining 2P reserves and 2C contingent resources were 2 MMBOE as at 30 June 2012 net to the Group. Partners in the Chinguetti field are Petronas (operator, 47.385 per cent.), Tullow Oil (19.008 per cent.), Societe Mauritanienne des Hydrocarbures (12 per cent.), Kufpec (10.234 per cent.) and ROC (3.25 per cent.). The partners in the Banda field development include Tullow Oil (operator, 67.301 per cent.), Petronas (15 per cent.) and Kufpec (13.084 per cent.).

Kenya

In May 2011, the Group entered Kenya with the signing of two PSCs for offshore exploration blocks L10A and L10B. The Group holds a 20 per cent. equity interest in L10A and a 25 per cent. equity interest in L10B. Fast track 3D data and inboard 2D seismic data have been acquired, with processing due for completion later this year. A new 3D seismic survey will now be acquired over the inboard play to further evaluate leads identified on the 2D data. Initial results of the survey data are encouraging and it is expected that at least one prospect on the acreage will be drilled in the second half of 2013.

The partners in L1OA are BG (operator, 40 per cent.), Cove Energy (25 per cent.) and Pancontinental (15 per cent.).

The partners in L1OB are BG (operator, 45 per cent.), Cove Energy (15 per cent.) and Pancontinental (15 per cent.).

Iraq

The Group has agreed to take a 30 per cent. equity interest in Block 12, an 8,000 square kilometre block in the under-explored Salman Zone in southern Iraq, subject to final approval from the Iraqi authorities. The block contains a variety of leads at various stratigraphic levels with estimated gross prospective resources in excess of 1 billion barrels. The current plan is to acquire seismic data over the block in 2013.

The Group's partner in Block 12 is Bashneft (operator, 70 per cent.).

Falkland Islands

Falkland Islands – exploration and development asset, 60 per cent. operated interest

In July 2012, the Group announced that it had agreed to farm in, with an upfront consideration of US\$231 million, for 60 per cent. of Rockhopper's licence interests in the Falkland Islands, which includes the Sea Lion development. The transaction completed on 19 October 2012. Operatorship of the project is currently expected to be transferred to the Group in the fourth quarter of 2012. The Sea Lion field is fully appraised and development planning commenced in 2011. It is anticipated that the field will be a 4 centre subsea development, tied back to an FPSO. First oil from the field is targeted for mid-2017 with estimated gross peak production of 80,000-85,000 BOEPD. As part of the transaction, the Group has agreed to provide Rockhopper with a development carry of up to US\$722 million. The Group has also offered Rockhopper additional standby financing available at Rockhopper's option for their further share of development expenditure to secure certainty of financing for the US\$5 billion project.

Sea Lion is estimated to have approximately 200 MMBOE of discovered 2C resources net to the Group.

Hedging Policy

The Group's commodity pricing and hedging policy has been to lock in oil and gas price floors for a proportion of expected future production at a level which ensures that investment programmes for sanctioned projects are adequately funded. Floors were purchased for cash or via collars, funded by selling caps at a ceiling price. This policy has provided downside protection for the Group over the period from 2008 to 2012. During this period, over US\$1 billion has been invested in new development projects. Given stronger cash flows, the Group is now in a position to approach hedging on a more opportunistic basis. Current policy guidelines are to sell forward up to 33 per cent. of production on a rolling 18 month basis taking benefit of short term strengths in the commodity markets. The requirement for future hedging for 2014 and beyond will be considered as new projects are sanctioned, taking into account expected future cash flows of the group and the size of the relevant investment programme.

Directors

No potential conflicts of interest exist between the private interests and/or duties of any Directors or member of the administrative, management or supervisory bodies of the Guarantor and their duties to the Guarantor.

The following table sets out information relating to each of member of the board of Directors of the Guarantor as at the date of this document:

<i>Name</i>	<i>Age</i>	<i>Position</i>
Executive Directors:		
Simon Lockett	48	Chief Executive
Robin Allan	52	Director, Business Units
Tony Durrant	54	Finance Director
Neil Hawkings	51	Operations Director
Andrew Lodge	56	Exploration Director

Non-Executive Directors:

Mike Welton	66	Chairman
Joe Darby	64	Non-Executive Director
Jane Hinkley	62	Non-Executive Director
David Lindsell	65	Non-Executive Director
Professor Dr. David Roberts	69	Non-Executive Director
Michel Romieu	72	Non-Executive Director

The business address of all the Directors of the Guarantor is 23 Lower Belgrave Street, London SW1W 0NR.

Director's Profiles

Set forth below are the business experience and principal business activities performed outside of the Group by the current members of the board of Directors of the Guarantor, as well as the dates of their initial appointment as Directors.

Robin Allan

Robin Allan joined the Guarantor from Burmah Oil in July 1986, working initially as a geologist. After technical and new venture roles he spent six years in South East Asia, initially managing the Group's existing and new Asian venture business and later becoming the Group's Country Manager in Indonesia. He became a member of the board of Directors of the Guarantor in December 2003 as Director of Business Development. Mr Allan spent three years in Asia as Director – Asia, returning to London in October 2012 to take up the role of Director, Business Units.

Joe Darby

Joe Darby is the Senior Independent Director on the board of Directors of the Guarantor. He joined the board of Directors of the Guarantor as a Non-executive Director in September 2007. Mr Darby has over 40 years of experience in the energy sector, including eight years with Shell Petroleum before becoming Managing Director of Thomson North Sea Ltd. He has held a number of senior

roles, including Chief Executive with LASMO plc. Mr Darby is a non-executive director of Alkane Energy plc and has held non-executive roles at Nordaq Energy plc, British Nuclear Fuels plc, Mowlem plc and Centurion Energy Inc. He was Chairman of Mowlem plc (2005-2006) and Faroe Petroleum plc (2003-2007).

Tony Durrant

Tony Durrant joined the Guarantor in June 2005. After qualifying as a chartered accountant with Arthur Andersen, he joined Lehman Brothers in London, initially as an oil sector analyst. He joined the investment banking division of Lehman in 1987 and from 1997 was a Managing Director and Head of the European Natural Resources Group. In this role, he managed both client relationships and numerous transactions for a variety of European and North American clients. He joined the board of Directors of the Guarantor in July 2005 as Finance Director.

Neil Hawkings

Neil Hawkings joined the Guarantor in May 2005 after more than 20 years with ConocoPhillips where he worked in a variety of engineering, commercial and management roles around the world, undertaking assignments in the UK, Dubai and Indonesia. He joined the board of Directors of the Guarantor in March 2006 as Operations Director.

Jane Hinkley

Jane Hinkley joined the board of Directors of the Guarantor in September 2010 as a Non-executive Director. Ms Hinkley is a qualified chartered accountant with executive experience primarily in international shipping. She has held managing directorships at Navion Shipping AS and Gotaas-Larsen Shipping Corporation. She has been an independent director on the board of Teekay GP LLC, an international provider of marine transportation services for liquefied natural gas, liquefied petroleum gas and crude oil, since 2005 and also previously held the position of non-executive director of Revus Energy ASA, a Norwegian exploration and production company.

David Lindsell

David Lindsell joined the board of Directors of the Guarantor in January 2008 as a Non-executive Director. He was a partner at Ernst & Young LLP for nearly 30 years and has extensive experience across a range of industry sectors, with a strong knowledge of the oil and gas sector. Mr Lindsell is currently a non-executive director of Drax Group plc and was Deputy Chairman of the Financial Reporting Review Panel from 2008 to 2012.

Simon Lockett

Simon Lockett joined the Guarantor in January 1994 from Shell and has worked in a variety of roles for the Guarantor, including the management of investor relations, as Commercial Manager in Indonesia and as Country Manager in Albania. He became a member of the board of Directors of the Guarantor in December 2003 as Operations Director. He was appointed Chief Executive in March 2005.

Andrew Lodge

Andrew Lodge has been Exploration Director of the Guarantor since April 2009. Prior to joining the Guarantor, Mr Lodge was Vice President - Exploration at Hess, where he was responsible for Europe, North Africa, Asia and Australia for nine years. Previously, he was Vice President - Exploration, Asset Manager and Group Exploration Advisor for BHP Petroleum, based in London and Australia. Prior to joining BHP Petroleum, he worked for BP as a geophysicist. Mr Lodge is a non-executive director of Egdon Resources plc.

Professor Dr. David Roberts

Professor Dr. David Roberts joined the board of Directors of the Guarantor in June 2006 as a Non-executive Director. Professor Roberts has over 30 years of experience in all aspects of exploration worldwide and extensive knowledge of deep water areas, sedimentary basins, stratigraphy and prospect assessment. He spent 22 years with BP in a number of technical roles, including Global Exploration Adviser and Distinguished Exploration Adviser. Professor Dr. Roberts is a non-executive director of Medserv plc and has established his own geoscience consultancy. He is a visiting professor and fellow of Royal Holloway, University of London, the University of Southampton and IFP School in Paris.

Michel Romieu

Michel Romieu joined the board of Directors of the Guarantor as a Non-executive Director in January 2008. Mr Romieu has over 30 years of experience in the international energy sector, including 25 years with the Elf Group, where he held several senior positions including Chief Executive of Elf UK and the group's gas division. He was elected President of the UK Offshore Operator's Association for the year 1995, and held the position of Director for Gas of CRE, the French energy regulator, from 2000 to 2003. He has established his own consultancy specialising in providing advice to the gas industry, and is a lecturer at the French Petroleum Institute. Mr Romieu is also President of Uprigaz.

Mike Welton

Mike Welton joined the board of Directors of the Guarantor in June 2009 as a Non-executive Director and became Chairman in October 2009. Mr Welton is a director of Morrison Utility Services and High Speed Two, the government-owned LLC set up to examine high speed rail connections between London and the West Midlands. He sits on the advisory board of Montrose Associates. Mr Welton was previously Chairman of Southern Water Services Limited (2008-2012), Hanson plc (2005- 2007), the Turkish/British Business Council and the UK Government's Railway Sector Advisory Group. He was also Chief Executive of Balfour Beatty plc (1999-2004).

Director's Interests

As at 18 October 2012, the beneficial interests of the Directors in the Ordinary Shares were as follows:

Name	Number of Ordinary Shares	Approximate percentage of issued share capital
Robin Allan	110,992	0.021
Joe Darby	23,108	0.004
Tony Durrant	849,113	0.160
Neil Hawkings	409,706	0.077

Jane Hinkley	4,000	0.001
David Lindsell	17,332	0.003
Simon Lockett	1,188,532	0.225
Andrew Lodge	213,572	0.040
David Roberts	0	0.000
Michel Romieu	0	0.000
Mike Welton	22,531	0.004

PRINCIPAL SHAREHOLDERS

As at 29 October 2012 (the latest practicable date prior to the publication of this Offering Circular), the Guarantor was aware of the following persons, other than Directors of the Guarantor and other than the Guarantor itself by virtue of it holding treasury shares, who, directly or indirectly, were interested in 3 per cent. or more of the voting rights attached to the Guarantor's share capital (calculated exclusive of treasury shares):

	Number of notified voting rights	Notified percentage of voting rights
Blackrock, Inc	11,224,700	9.790%
AXA Investment Managers SA	40,173,814	8.580%
Schroders plc	27,072,247	5.118%
Aviva plc & subsidiaries (direct interests)	3,859,897	4.870%
Ameriprise Financial, Inc	24,666,346	4.663%
Legal & General Group plc	18,861,914	3.560%
Bear, Stearns International Trading Limited	2,552,847	3.100%
Norges Bank	15,905,661	3.010%

The Bonds will be convertible into Preference Shares which, if all Bonds are converted, will be exchanged for approximately 35,000,000 Ordinary Shares, which equates to approximately 6.6 per cent. of the Guarantor's current issued share capital.

DESCRIPTION OF THE ISSUER'S SHARE CAPITAL

Issuer's Share Capital

The Issuer is authorised to issue an unlimited number of limited liability shares with no par value. The Issuer can issue Founders' Shares, 2014 Preference Shares or Preference Shares. Founders' Shares are issuable at an agreed issue price of US\$1.00 each and 2014 Preference Shares and Preference Shares are issuable at an agreed issue price of US\$1,000 each.

As at the date of this Offering Circular, the issued share capital of the Issuer is two fully paid Founders' Shares of US\$1.00 each.

Founders' Shares

Founders' Shares shall only be issued to, or for the benefit of, the Guarantor or to, or for the benefit of, a person previously approved in writing by the Guarantor.

2014 Preference Shares

Words and/or expressions defined in the terms and conditions relating to the 2014 Bonds (the "2014 Bond Conditions") have the same meanings in the following description of the 2014 Preference Shares unless the context otherwise requires.

2014 Preference Shares shall only be issued on conversion of the 2014 Bonds pursuant to the 2014 Bond Conditions and the terms of the 2014 Bond Trust Deed and shall be issued at a price, credited as fully paid, of US\$1,000 per 2014 Preference Share (the "Paid-up Value"). The terms of the 2014 Preference Shares are set out in the Articles of the Issuer. Holders of the 2014 Preference Shares will also have the benefit of the 2014 Bond Deed Poll and will be entitled to the benefit of, will be bound by, and will be deemed to have notice of, all the provisions of the Articles of the Issuer and the 2014 Bond Deed Poll. The Articles of the Issuer contain provisions to the following effect in relation to the 2014 Preference Shares:

1. Dividends

- (a) Each 2014 Preference Share will on allotment, and subject to the availability of distributable profits, confer on the holder thereof a right to receive a fixed cumulative dividend at the rate of 2.875 per cent. per annum of the Paid-up Value of each such 2014 Preference Share payable semi-annually in arrear on 27 June and 27 December in each year (each a "Dividend Payment Date"). The dividend payable in respect of each 2014 Preference Share for any period that is not a Dividend Period shall be calculated on a strict proportional basis by reference to the same rate where "Dividend Period" means each period beginning on (and including) a Dividend Payment Date and ending on (but excluding) the next succeeding Dividend Payment Date. Such dividends shall accrue from day to day. Each 2014 Preference Share will cease to accrue dividends from and including its due date for redemption. No account will be taken of accrued dividends on an exchange pursuant to any Share Exchange Right relating to the 2014 Preference Shares.
- (b) The cumulative dividends payable in respect of the 2014 Preference Shares shall be paid in priority to any dividend in respect of any other class of shares in the capital of the Issuer,

other than the Preference Shares and any such class that ranks *pari passu* with the 2014 Preference Shares as respects rights to dividends.

- (c) The 2014 Preference Shares shall not confer any further right of participation in the profits of the Issuer.
- (d) The Founders' Shares shall confer on the holders thereof the right to receive any profits of the Issuer available for distribution after the payment to the holders of the 2014 Preference Shares and the Preference Shares of their fixed cumulative dividend and after payment of any other preferential dividend on any other class of shares.
- (e) The obligations of the Issuer to pay dividends are subject to applicable law in Jersey.

2. Capital

On a winding-up of the Issuer or other return of capital (other than a purchase or redemption of any 2014 Preference Share, any Preference Share or any share of any other class of redeemable shares), the assets of the Issuer available for distribution shall be applied in the following priority:

- (a) first, the 2014 Preference Shares shall carry the right (the "First Right"), *pari passu* with the Preference Shares and shares of any class having the like right, to payment of the Paid-up Value thereof, together with a sum equal to any accrued but unpaid preferential dividend due in respect of such 2014 Preference Shares to be calculated to the date when payment of the return of capital is made and to be payable irrespective of whether or not such dividend has been declared or earned and the right to such additional amount, if any, as when aggregated with the other amounts payable pursuant to the First Right is (in the opinion of a bank or investment bank of international repute in London) such as to be reasonably comparable with rights to repayment which are general for fixed-dividend shares listed on the Official List of the UKLA. (In the event that the assets of the Guarantor available for distribution are insufficient to repay in full the Paid-up Value of each 2014 Preference Share or Preference Share or shares carrying the like right together with such accruals, the available assets shall be apportioned *pro rata* amongst the 2014 Preference Shares, Preference Shares and shares carrying the like right then in issue according to the Paid-up Value and the amount at which any such other share is credited as paid-up and accruals outstanding);
- (b) secondly, the Founders' Shares shall carry the right to payment of the amount of capital paid up (including credited as paid up) thereon;
- (c) any surplus assets then remaining shall be distributed *pari passu* among the holders of the Founders' Shares, in proportion to the amounts paid up (including credited as paid up) thereon, up to (in the case of a winding-up only) a maximum amount of US\$1,000,000 per Founders' Share;
- (d) in the case of a winding-up of the Issuer only, any surplus assets then remaining shall (subject to the paragraph 2(e) below) be distributed rateably amongst the holders of the Founders' Shares and the 2014 Preference Shares according to the aggregate amount paid up (including credited as paid up) on their respective holdings of such shares in the Issuer, provided that for these purposes the amount paid up on each 2014 Preference Share shall be treated as equal to one-thousandth of the amount paid up on each Founders' Share; and

- (e) for the purposes of paragraph 2(d) above, any surplus assets required to be distributed to the Holders of the Founders' Share pursuant to paragraph 2(d) above, shall be distributed rateably among the Holders of the Founders' Shares and the Preference Shares according to the aggregate amount paid up on their respective holdings of such shares in the Issuer, provided that for these purposes the amount paid up on each Preference Share shall be treated as equal to the one-thousandth of the amount paid up on each Founders' Share.

3. Redemption

- (a) The Issuer shall redeem all the 2014 Preference Shares for cash at their Paid-up Value forthwith upon their issue, save that any 2014 Preference Shares in respect of which the Share Exchange Right has been exercised or is deemed to have been exercised shall not be redeemed forthwith pursuant to the foregoing but may be redeemed for cash at their Paid-up Value at any time after the first transfer of the same into the name of the Guarantor or its nominee on any date specified by the holder for the time being in any notice (which may be a standing notice) given by the holder to the Issuer requiring such redemption either forthwith or on any subsequent date.
- (b) On redemption of a 2014 Preference Share, the Issuer will cancel the 2014 Preference Share and any certificate relating thereto and such 2014 Preference Share may not be reissued or sold as a 2014 Preference Share.
- (c) The obligations of the Issuer to redeem shares are subject to applicable law in Jersey.

4. Share Exchange Right

If conversion rights are exercised or deemed to have been exercised in respect of the 2014 Bonds, the Issuer will procure that the 2014 Preference Shares issued in respect thereof will be exchanged immediately for Ordinary Shares on the relevant exchange date.

5. Voting and General Meetings

- (a) Founders' Shares shall entitle the holders thereof to receive notice of and to attend and vote at general meetings of the Issuer. 2014 Preference Shares shall entitle the holders thereof to receive notice of general meetings of the Issuer but not to attend and vote thereat.
- (b) On a poll every holder of Founders' Shares who (being an individual) is present in person or by proxy or (being a corporation) is present by representative or by proxy shall have one million votes in respect of each Founders' Share registered in the name of such holder.

6. Transfers

- (a) Any 2014 Preference Share in respect of which the Share Exchange Right has been or is deemed to have been exercised shall forthwith upon allotment and issue of the same be transferred to the Guarantor or its nominee in exchange for the issue to the holder thereof of that number of fully paid Ordinary Shares to which the holder is entitled upon exercise (or deemed exercise) of the Share Exchange Right. Any such transfer shall be effected by the Issuer (or a person appointed for this purpose by the Issuer) as agent for the holder thereof and the Issuer (or a person appointed for this purpose by the Issuer) is authorised by such holder to execute all such documents and do all such things as may be necessary properly to

effect the same, without any cost or liability to, or any further action required by, the holder (save as provided in Article 2.4.5(h)(iv) of the Articles of the Issuer).

- (b) Transfers of 2014 Preference Shares shall be effected by any instrument of transfer in common or usual form or such other form as may be approved by the board of directors of the Issuer. The transferor shall be deemed to remain the holder of a 2014 Preference Share until the name of the transferee is entered in the register in respect of it. All instruments of transfer, when registered, may be retained by the Issuer.

7. Payments

- (a) Payments in respect of a 2014 Preference Share may be made by cheque or warrant and mailed to the holder (or to the first-named of joint holders) of such 2014 Preference Shares at his registered address (or to such address as such holder may direct) and at his risk.
- (b) All payments in respect of the 2014 Preference Shares shall be made subject to the deduction of or withholding of, or on account of, any taxation in Jersey or the United Kingdom required or permitted by applicable law to be withheld or deducted at source. No additional payment will be required to be made in respect of such withholding or deduction.
- (c) In determining amounts to be paid to 2014 Preference Shareholders, fractions of one cent will be rounded to the nearest cent with one half of one cent being rounded upwards.
- (d) Any unclaimed dividend may be invested or otherwise made use of by the directors of the Issuer for the benefit of the Issuer until claimed and any dividend which has remained unclaimed for a period of 10 years from the date when it became due for payment shall, if the directors of the Issuer so resolve, be forfeited and cease to remain owing by the Issuer and shall thenceforth belong to the Issuer absolutely.

8. Variation of Rights

- (a) Subject to the provisions of the Companies (Jersey) Law 1991, as amended, all or any of the rights for the time being attached to any class of shares for the time being issued may (unless otherwise provided by the terms of issue of the shares of that class) from time to time (whether or not the Issuer is being wound-up) be varied or abrogated with the consent in writing of the holders of not less than two-thirds in number of the issued shares of that class or with the sanction of a special resolution (that is one passed by a majority of not less than two-thirds of members who (being entitled to do so) vote in person or by proxy) passed at a separate general meeting of the holders of those shares. All the provisions of the Articles of the Issuer as to general meetings of the Issuer shall *mutatis mutandis* apply to any such separate general meeting, except that the necessary quorum shall be two persons holding or representing by proxy at least one-third in number of the issued shares of the class but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those holders who are present in person or by proxy shall be a quorum.
- (b) The rights attached to the 2014 Preference Shares shall unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed not to be varied by the creation or issue of further shares ranking after or *pari passu* therewith.

Preference Shares

Words and/or expressions defined in the Conditions have the same meanings in the following description of the Preference Shares unless the context otherwise requires.

Preference Shares shall only be issued on conversion of Bonds pursuant to the Conditions and the terms of the Trust Deed and shall be issued at a price, credited as fully paid, of US\$1,000 per Preference Share (the "Paid-up Value").

The terms of the Preference Shares are set out in the Articles of the Issuer.

Holders of the Preference Shares will also have the benefit of the Deed Poll and will be entitled to the benefit of, will be bound by, and will be deemed to have notice of, all the provisions of the Articles of the Issuer and the Deed Poll.

The Articles of the Issuer contain provisions to the following effect in relation to the Preference Shares:

1. Dividends

- (a) Each Preference Share shall, on allotment, and subject to the availability of distributable profits, confer on the Holder thereof a right to receive a fixed cumulative dividend at the rate of 2.5 per cent. per annum of the Paid-up Value of each such Preference Share payable in equal instalments semi-annually in arrears on 27 January and 27 July in each year (each a "Dividend Payment Date") except that no such dividend shall accrue on such Preference Share prior to its allotment. The dividend payable in respect of each Preference Share for any period which is not a dividend period shall be calculated on a strict proportional basis by reference to the same rate, where "Dividend Period" means each period beginning on (and including) a Dividend Payment Date and ending on (but excluding) the next succeeding Dividend Payment Date. Such dividends shall accrue from day to day. Each Preference Share will cease to accrue dividends from and including its due date for redemption. No account shall be taken of accrued dividends on an exchange pursuant to any Share Exchange Right.
- (b) The cumulative dividends payable in respect of the Preference Shares shall be paid in priority to any dividend in respect of any other class of shares in the capital of the Issuer, other than the 2014 Preference Shares and any other such class which shall rank *pari passu* with the Preference Shares as respects rights to dividends.
- (c) The Preference Shares shall not confer any further rights of participation in the profits of the Issuer.
- (d) The Founders' Shares shall confer on the holders thereof the right to receive any profits of the Issuer available for distribution after the payment to the holders of the 2014 Preference Shares and the Preference Shares of their fixed cumulative dividend and after payment of any other preferential dividend on any other class of shares.
- (e) The obligations of the Issuer to pay dividends are subject to applicable law in Jersey.

2. Capital

On a winding-up of the Issuer or other return of capital (other than a purchase or redemption of any Preference Share, any 2014 Preference Share or any share of any other class of redeemable shares), the assets of the Issuer available for distribution shall be applied in the following priority:

- (a) first, the Preference Shares shall carry the right (the “First Right”), *pari passu* with the 2014 Preference Shares and shares of any class having the like right, to payment of the Paid-up Value thereof, together with a sum equal to any accrued but unpaid preferential dividend due in respect of such Preference Shares to be calculated to the date when payment of the return of capital is made and to be payable irrespective of whether or not such dividend has been declared or earned and the right to such additional amount, if any, as when aggregated with the other amounts payable pursuant to the First Right is (in the opinion of a bank or investment bank of international repute in London) such as to be reasonably comparable with rights to repayment which are general for fixed-dividend shares listed on the Official List of the UKLA. (In the event that the assets of the Guarantor available for distribution are insufficient to repay in full the Paid-up Value of each 2014 Preference Share or Preference Share or shares carrying the like right together with such accruals, the available assets shall be apportioned *pro rata* amongst the 2014 Preference Shares, Preference Shares and shares carrying the like right then in issue according to the Paid-up Value and the amount at which any such other share is credited as paid-up and accruals outstanding);
- (b) secondly, the Founders’ Shares shall carry the right to payment of the amount of capital paid up (including credited as paid up) thereon;
- (c) any surplus assets then remaining shall be distributed *pari passu* among the holders of the Founders’ Shares, in proportion to the amounts paid up (including credited as paid up) thereon, up to (in the case of a winding-up only) a maximum amount of US\$1,000,000 per Founders’ Share;
- (d) in the case of a winding-up of the Issuer only, any surplus assets then remaining shall (subject to the paragraph 2(e) below) be distributed rateably amongst the holders of the Founders’ Shares and the 2014 Preference Shares according to the aggregate amount paid up (including credited as paid up) on their respective holdings of such shares in the Issuer, provided that for these purposes the amount paid up on each 2014 Preference Share shall be treated as equal to one-thousandth of the amount paid up on each Founders’ Share; and
- (e) for the purposes of paragraph 2(d) above, any surplus assets required to be distributed to the Holders of the Founders’ Share pursuant to paragraph 2(d) above, shall be distributed rateably among the Holders of the Founders’ Shares and the Preference Shares according to the aggregate amount paid up on their respective holdings of such shares in the Issuer, provided that for these purposes the amount paid up on each Preference Share shall be treated as equal to the one-thousandth of the amount paid up on each Founders’ Share.

3. Redemption

- (a) The Issuer shall redeem all the Preference Shares for cash at their Paid-up Value forthwith upon their issue, save that any Preference Shares in respect of which the Share Exchange Right has been exercised or is deemed to have been exercised shall not be redeemed forthwith pursuant to the foregoing but may be redeemed for cash at their Paid-up Value at

any time after the first transfer of the same into the name of the Guarantor or its nominee on any date specified by the holder for the time being in any notice (which may be a standing notice) given by the holder to the Issuer requiring such redemption either forthwith or on any subsequent date.

- (b) On redemption of a Preference Share, the Issuer will cancel the Preference Share and any certificate relating thereto and such Preference Share may not be reissued or sold as a Preference Share.
- (c) The obligations of the Issuer to redeem shares are subject to applicable law in Jersey.

4. Share Exchange Right

If conversion rights are exercised or deemed to have been exercised in respect of the Bonds, the Issuer will procure that the Preference Shares issued in respect thereof will be exchanged immediately for Ordinary Shares on the relevant Exchange Date. A summary of the provisions of the Articles of the Issuer in this respect is set out in “*Terms and Conditions of the Bonds*”.

5. Voting and General Meetings

- (a) Founders’ Shares shall entitle the holders thereof to receive notice of and to attend and vote at general meetings of the Issuer. Preference Shares shall entitle the holders thereof to receive notice of general meetings of the Issuer but not to attend and vote thereat.
- (b) On a poll every holder of Founders’ Shares who (being an individual) is present in person or by proxy or (being a corporation) is present by representative or by proxy shall have one million votes in respect of each Founders’ Share registered in the name of such holder.

6. Transfers

- (a) Any Preference Share in respect of which the Share Exchange Right has been or is deemed to have been exercised shall forthwith upon allotment and issue of the same be transferred to the Guarantor or its nominee in exchange for the issue to the holder thereof of that number of fully paid Ordinary Shares to which the holder is entitled upon exercise (or deemed exercise) of the Share Exchange Right. Any such transfer shall be effected by the Issuer (or a person appointed for this purpose by the Issuer) as agent for the holder thereof and the Issuer (or a person appointed for this purpose by the Issuer) is authorised by such holder to execute all such documents and do all such things as may be necessary properly to effect the same, without any cost or liability to, or any further action required by, the holder (save as provided in Article 2.5.5(h)(iv) of the Articles of the Issuer).
- (b) Transfers of Preference Shares shall be effected by any instrument of transfer in common or usual form or such other form as may be approved by the board of directors of the Issuer. The transferor shall be deemed to remain the holder of a Preference Share until the name of the transferee is entered in the register in respect of it. All instruments of transfer, when registered, may be retained by the Issuer.

7. Payments

- (a) Payments in respect of a Preference Share may be made by cheque or warrant and mailed to the holder (or to the first-named of joint holders) of such Preference Shares at his registered address (or to such address as such holder may direct) and at his risk.
- (b) All payments in respect of the Preference Shares shall be made subject to the deduction of or withholding of, or on account of, any taxation in Jersey or the United Kingdom required or permitted by applicable law to be withheld or deducted at source. No additional payment will be required to be made in respect of such withholding or deduction.
- (c) In determining amounts to be paid to Preference Shareholders, fractions of one cent will be rounded to the nearest cent with one half of one cent being rounded upwards.
- (d) Any unclaimed dividend may be invested or otherwise made use of by the directors of the Issuer for the benefit of the Issuer until claimed and any dividend which has remained unclaimed for a period of 10 years from the date when it became due for payment shall, if the directors of the Issuer so resolve, be forfeited and cease to remain owing by the Issuer and shall thenceforth belong to the Issuer absolutely.

8. Variation of Rights

- (a) Subject to the provisions of the Companies (Jersey) Law 1991, as amended, all or any of the rights for the time being attached to any class of shares for the time being issued may (unless otherwise provided by the terms of issue of the shares of that class) from time to time (whether or not the Issuer is being wound-up) be varied or abrogated with the consent in writing of the holders of not less than two-thirds in number of the issued shares of that class or with the sanction of a special resolution (that is one passed by a majority of not less than two-thirds of members who (being entitled to do so) vote in person or by proxy) passed at a separate general meeting of the holders of those shares. All the provisions of the Articles of the Issuer as to general meetings of the Issuer shall *mutatis mutandis* apply to any such separate general meeting, except that the necessary quorum shall be two persons holding or representing by proxy at least one-third in number of the issued shares of the class but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those holders who are present in person or by proxy shall be a quorum.
- (b) The rights attached to the Preference Shares shall unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed not to be varied by the creation or issue of further shares ranking after or *pari passu* therewith.

DESCRIPTION OF THE DEED POLL

Words and expressions defined in “Terms and Conditions of the Bonds” and “Description of the Issuer’s Share Capital” have the same meanings in this Description of the Deed Poll, unless the context otherwise requires. References to particular Conditions of the Bonds shall be to the relevant Condition set out in “Terms and Conditions of the Bonds”.

The Deed Poll contains provisions to the following effect:

1. Guarantee

The Guarantor unconditionally and irrevocably undertakes to the Issuer and to each of the Preference Shareholders to make due and punctual payment of all redemption monies, dividends and other amounts expressed to be payable in respect of the Preference Shares or, if Preference Shares shall not have been issued as so required by the Terms and Conditions of the Bonds, which would have been payable on such Preference Shares had the same been so issued when so required, on the due date for payment, or if Preference Shares shall not have been so issued as aforesaid, on what would have been the due date for payment had such Preference Shares been so issued, to the extent that the same shall not be paid by the Issuer, regardless of (i) whether the profits of the Issuer justify the relevant payment of any dividend, (ii) whether the relevant amounts shall be available for distribution or payment by the Issuer, (iii) whether payment thereof shall have been declared or approved by or on behalf of the Issuer or by the Issuer in general meeting, (iv) whether the payment thereof by the Issuer shall be prohibited by law or (v) where Preference Shares shall not have been so issued the fact that for whatever reason such Preference Shares shall not have been issued. Such obligations will constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor.

2. Payments

All payments made by the Guarantor pursuant to the Deed Poll shall be made without withholding or deduction for any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within Jersey or the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Guarantor shall not be required to pay any additional amounts to Preference Shareholders to compensate for such withholding or deduction.

When making any payments to Preference Shareholders, fractions of one cent will be rounded to the nearest cent with one half of one cent being rounded upwards.

3. Undertaking to deliver Ordinary Shares

The Guarantor has undertaken that, on each occasion on which Exchange Rights related to a Bond are exercised, it will purchase the relevant Preference Shares arising on such conversion and, in consideration for such purchase, deliver such number of Ordinary Shares as results from dividing the Paid-up Value of the relevant Preference Share (translated into pounds sterling at the fixed rate of exchange of US\$1.6134 = £1.00) by the Exchange Price in effect on the relevant Exchange Date in accordance with the Terms and Conditions of the Bonds.

The Deed Poll also sets out the circumstances in which the Exchange Price will be adjusted, a summary of which is set out in the Terms and Conditions of the Bonds.

4. Other Undertakings

The Guarantor undertakes that whilst any Exchange Right or Share Exchange Right remains exercisable, save with the approval of the Bondholders by an Extraordinary Resolution or with the approval of the Trustee where, in the Trustee's opinion, it is not materially prejudicial to the interests of the Bondholders to give such approval, it will comply with the covenants given by it in the Deed Poll (see "*Terms and Conditions of the Bonds – Undertakings*"). The Guarantor will, in the event of failure of the Issuer so to perform when due, procure the performance by the Issuer of all the obligations to be performed by the Issuer in respect of the exercise of Exchange Rights.

5. Amendments

The Deed Poll may be amended only by deed poll, executed by the Guarantor and expressed to be supplemental to the Deed Poll, and, whilst any Exchange Right or Share Exchange Right remains exercisable, only with the approval of an Extraordinary Resolution and, for so long as any Preference Share is in issue and not held by or on behalf of the Guarantor, or any of its subsidiaries, the approval of an Extraordinary Resolution of Preference Shareholders or in either case, with the prior written approval of the Trustee and without the consent of the Bondholders where, in the Trustee's opinion, such amendment is not materially prejudicial to the interests of the Bondholders (and the Trustee shall not have regard to the interests of the Preference Shareholders), or is, in the Trustee's opinion, of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law. Any such amendment shall, unless the Trustee agrees otherwise, be notified to the Bondholders by the Guarantor in accordance with Condition 19. In forming such opinion, the Trustee shall not be bound to have regard to the consequences (including, without limitation, tax consequences) of such exercise for individual Bondholders or any other person resulting from their being for any purpose domiciled or resident in or otherwise connected with or subject to the jurisdiction of any particular territory. The Trust Deed contains provisions for convening meetings of Bondholders to consider the modifications by Extraordinary Resolution of the provisions of the Deed Poll.

6. Governing Law

The Deed Poll and any non-contractual obligations arising out of or in connection with the same will be governed by English law. The Guarantor has in the Deed Poll submitted to the jurisdiction of the English courts in respect of any disputes that may arise out of or in connection with the Deed Poll.

DESCRIPTION OF THE ORDINARY SHARES

The following summarises certain provisions of the Articles of Association of the Guarantor (the “Articles”) and certain other matters relevant to the Ordinary Shares. This summary does not purport to be complete and is subject to and is qualified in its entirety by reference to the Articles.

Share capital

The Guarantor’s issued share capital as at the date of this Offering Circular was £66,134,732.25 comprising 529,077,858 ordinary shares of £0.125 each in the Guarantor, each credited as fully paid. The principal governing legislation for the shares is the Companies Act.

The Guarantor’s shares are in registered form and shares have been issued in both certificated and uncertificated form. The Guarantor’s registrar is Capita Registrars Limited, 4th Floor, Erskine House, 68-73 Queen Street, Edinburgh EH2 4NR.

The Ordinary Shares currently in issue are listed on the Official List of the UKLA and are admitted to trading on a Regulated Market of the London Stock Exchange. The ISIN number for the Ordinary Shares is GB00B43G0577. Information relating to the Ordinary Shares and the past performance and volatility of the Ordinary Shares can be obtained on the Guarantor’s website at www.premier-oil.com.

Share rights

- (i) Subject to the Articles, the provisions of the Companies Act and without prejudice to any rights attached to any existing shares or class of shares, shares may be issued with such rights or restrictions as the Guarantor may by ordinary resolution determine or as the board of Directors of the Guarantor may determine, provided that there is no conflict with any resolution passed by the Guarantor.
- (ii) Subject to the Articles, the provisions of the Companies Act and any rights attached to any existing shares or class of shares, the Guarantor may issue any shares which are to be redeemed, or which at the option of the Guarantor or the holder are liable to be redeemed.
- (iii) Subject to the Articles, the provisions of the Companies Act, any resolution passed by the shareholders and any rights attached to any existing shares or class of shares, the Directors can decide how to deal with any shares in the Guarantor.
- (iv) The board of Directors of the Guarantor is authorised to allot shares in the Guarantor and to grant rights to subscribe for or convert any security into shares in the Guarantor (a) up to a nominal amount of £22,041,305 (such amount to be reduced by the nominal amount allotted or granted under part (b) in excess of such sum), and (b) comprising equity securities, up to a nominal amount of £44,082,610 (such amount to be reduced by any allotments or grants made under part (a)) in connection with an offer by way of a rights issue.
- (v) The board of Directors of the Guarantor has the power to allot equity securities for cash and/or to sell treasury shares for cash under the authority set out at (iv) above as if Section 561 of the Companies Act did not apply provided that this power shall be limited: (a) to the allotment of equity securities and sale of treasury shares for cash in connection with a rights issue or any other pre-emptive offer; and (b) in the case of the authority set out at (iv)(a)

above and/or in the case of any sale of treasury shares for cash, to the allotment (otherwise than pursuant to (a)) of equity securities or sale of treasury shares up to a nominal amount of £3,306,195.

- (vi) Subject to the Articles and the provisions of the Companies Act, the Guarantor is authorised to make market purchases of its own shares of an aggregate nominal value of up to £9,918,580.

Voting Rights

- (i) Subject to the Articles, the provisions of the Companies Act and any rights or restrictions attached to any existing shares or class of shares:
 - (a) on a show of hands, each member present in person, and each proxy present, has one vote (with the exception that a proxy has one vote for and one vote against in the circumstances set out in Section 285(2) of the Companies Act); and
 - (b) on a poll every member present in person or by proxy shall have one vote for each share of which he is the holder.
- (ii) (a) If any member, or any other person appearing to the Directors to be interested in any shares in the capital of the Guarantor held by such member, has been duly served with a notice under Section 793 of the Companies Act and is in default for the period of 14 days from the date of service of the notice in supplying to the Guarantor the information thereby required, or makes a statement in response to the notice which is false or inadequate in some important way, then the Guarantor may at any time thereafter by notice (a "Restriction Notice") to such member direct that, in respect of the shares in relation to which the default or false/inadequate statement occurred and any other shares held by the member which are the subject of the Restriction Notice, or such of them as the Directors may determine from time to time (the "Restricted Shares" which expression shall include any further shares which are issued in right of any Restricted Shares), the member shall not be entitled to be present or to vote on any question, either in person or by proxy, at any general meeting of the Guarantor or separate general meeting of the holders of any class of shares of the Guarantor, or to exercise any other right in relation to meetings of the Guarantor.
- (b) Where the Restricted Shares represent at least 0.25 per cent. (in amount or in number) of the issued shares of the same class as the Restricted Shares (calculated exclusive of any shares of that class held as treasury shares), then the Restriction Notice may also direct that:
 - (i) any dividend or any part thereof or other moneys which would otherwise be payable on or in respect of the Restricted Shares:
 - (a) shall be withheld by the Guarantor; and
 - (b) shall not bear interest against the Guarantor; and/or

- (ii) where an offer of the right to elect to receive shares of the Guarantor instead of cash in respect of any dividend or part thereof is or has been made by the Guarantor, any election made thereunder by such member in respect of such Restricted Shares shall not be effective; and/or
 - (iii) no transfer of any of the Restricted Shares held by such member shall be registered by the Directors unless the transfer is a permitted transfer.
- (c) If the Guarantor gives a Restriction Notice to a person appearing to be interested in the shares the subject of such notice, it will also give a copy at the same time to the person who holds the shares, but the failure or omission by the Guarantor to do so shall not invalidate such notice.
- (d) Any Restriction Notice shall have effect in accordance with its terms until a maximum of seven days after the Directors are satisfied that the default in respect of which the Restriction Notice was issued no longer continues or shall cease to have effect in relation to any Restricted Shares which are transferred by such member by means of a permitted transfer a maximum of seven days from receipt by the Guarantor of notice that a transfer as aforesaid has been made. The Guarantor may (at the absolute discretion of the Directors) at any time give notice to the member cancelling, or suspending for a stated period the operation of, a Restriction Notice in whole or in part. If a Restriction Notice is cancelled, or ceases to have effect in relation to any shares, any moneys relating to those shares which were withheld will be paid to the person who would have been entitled to them or as he directs.
- (e) For the purposes of paragraphs (a) to (d) above:
 - (i) a person shall be treated as appearing to be interested in any shares if the Guarantor knows or has reasonable cause to believe that the person in question is or may be interested in the shares; and
 - (ii) a transfer of shares is a permitted transfer if but only if:
 - (a) it is a transfer by way of, or in pursuance of, acceptance of a takeover offer for the Guarantor (as defined in Section 974 of the Companies Act); or
 - (b) the Directors are satisfied that the transfer is made pursuant to a bona fide sale of the whole of the beneficial ownership of the shares to a third party unconnected with the transferring member or with any other person appearing to the Directors to be interested in such shares (and for the purposes of this sub-paragraph any associate (as that term is defined in Section 435 of the Insolvency Act 1986) shall be deemed to be connected with the transferring member or any person appearing to the Directors to be interested in the shares); or

- (c) the transfer results from a sale made on or through a recognised investment exchange or any other stock exchange outside the United Kingdom.

Dividends and other distributions

- (i) Subject to the provisions of the Companies Act and any other act or subordinate legislation concerning companies and affecting the Guarantor (the “Statutes”), the Guarantor in general meeting may declare dividends in accordance with the rights of the shareholders by passing an ordinary resolution, but no dividend shall exceed the amount recommended by the Directors.
- (ii) Subject to the provisions of the Statutes, if the Directors consider that the financial position of the Guarantor justifies such payments, they may:
 - (a) from time to time pay such interim dividends as they think fit; and
 - (b) pay the fixed or other dividends payable on any class of shares of the Guarantor on the dates prescribed for the payment of those dividends.

If the Directors act in good faith, they will not be liable for any loss that any shareholders may suffer because a lawful dividend has been paid on other shares which rank equally with or behind their shares.

- (iii) Subject to the Articles and to the rights attaching to, or the terms of issue of, any shares, all dividends shall be declared and paid in proportions based on the amounts paid up on the shares during any period for which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purpose of this provision of the Articles as paid up on the share. If any share is issued on terms providing that it shall rank for dividend as if paid up in full or in part from a particular date, whether past or future, such share shall rank for dividend accordingly.
- (iv) Subject to the Articles and to the rights attaching to, or the terms of issue of, any shares, dividends or any other moneys payable in respect of a share can be paid in whatever currency the Directors decide using an exchange rate selected by the Directors for any currency conversions required. The Directors may also decide how any costs relating to the choice of currency will be met.
- (v) The Directors may deduct from any dividend or other moneys payable to any member on or in respect of any share held by him all sums of money (if any) presently payable by him to the Guarantor on account of calls or otherwise in relation to his shares in the Guarantor.
- (vi) Upon the recommendation of the Directors, the Guarantor may pass an ordinary resolution that a dividend be paid, and the Directors can decide that an interim dividend be paid, wholly or in part by the distribution of specific assets (and, in particular, paid up shares or debentures of any other company). Where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient. For example, they may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members upon the

footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

- (vii) Subject to the rights attaching to, or the terms of issue of, any shares, no dividend or other moneys payable by the Guarantor on or in respect of its shares shall bear interest against the Guarantor.
- (viii) All dividends or other sums payable on or in respect of any share which remain unclaimed may be invested or otherwise made use of by the Directors for the benefit of the Guarantor until claimed. The Guarantor will not be a trustee of the money and will not be liable to pay interest on it. All dividends and other money unclaimed for a period of 12 years or more after being declared or becoming due for payment shall be forfeited and shall revert to the Guarantor, unless the Directors decide otherwise.
- (ix) On a winding-up of the Guarantor, the rights of the holders of the Ordinary Shares to participate in the distribution of the assets of the Guarantor available for distribution shall rank *pari passu* amongst themselves.

Variation of rights

The rights attached to any class of shares may, subject to the provisions of the Statutes, be changed with the consent in writing of the holders of at least three-fourths of the issued shares of that class by amount (excluding any shares of that class held as treasury shares), or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

Lien and forfeiture

- (i) A call is treated as having been made as soon as the Directors have passed a resolution authorising it. If any member fails to pay any call or instalment in full on or before the day appointed for payment thereof, the Directors may, at any time thereafter, serve a notice on him, or on a person entitled by transmission to the shares in respect of which the call was made, requiring him to pay so much of the call or instalment as is unpaid, together with any interest which may have accrued and any expenses incurred by the Guarantor by reason of such non-payment.
- (ii) The notice shall name a further day (not earlier than the expiration of 14 clear days from the date of service of the notice) on or before which, and the place where, such call or instalment and such interest and expenses are to be paid. The notice shall also state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call or instalment is payable will be liable to be forfeited.
- (iii) If the requirements of any such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall extend to all dividends and other moneys payable in respect of the shares so forfeited and not actually paid before such forfeiture. The Directors may accept the surrender of any share liable to be forfeited hereunder.
- (iv) When any share has been forfeited, notice of the forfeiture shall be served upon the person whose share has been forfeited and an entry of the forfeiture, with the date thereof, shall

forthwith be made in the Register, but no forfeiture shall be invalidated by any failure to give such notice or make such entry as aforesaid.

- (v) The Directors may, at any time before any share forfeited or surrendered shall have been sold or otherwise disposed of, annul the forfeiture or surrender upon such terms as they think fit.
- (vi) Any person whose shares have been forfeited or surrendered shall cease to be a member in respect of those shares and shall surrender to the Guarantor for cancellation the certificate for the forfeited or surrendered shares, but shall, notwithstanding such forfeiture or surrender, remain liable to pay to the Guarantor all moneys which, at the date of the forfeiture or surrender, were presently payable by him to the Guarantor in respect of the shares, together with interest thereon at such rate, not exceeding the Bank of England base rate by more than five per cent., as the Directors may determine from the time of forfeiture or surrender until the time of payment, but his liability shall cease if and when the Guarantor shall have received payment in full of all such moneys in respect of the shares, together with interest. The Guarantor may enforce payment of such moneys without being under any obligation to make any allowance for the value of the shares forfeited or surrendered or for any consideration received on their disposal.
- (vii) The Guarantor shall have a first and paramount lien on every share (not being a fully paid share) for all moneys; but the Directors may at any time waive any lien which has arisen and can also decide to suspend any lien which would otherwise apply to particular shares. The Guarantor's lien, if any, on a share shall extend to all amounts payable in respect of it.
- (viii) The Guarantor may sell, in such manner as the Directors think fit, any share on which the Guarantor has a lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable, nor until the expiration of 14 clear days after a notice (i) stating, and demanding payment of, the sum presently payable, and (ii) giving notice of intention to sell in default of such payment, has been given to the registered holder for the time being of the share, or any person entitled thereto by reason of his death or bankruptcy or otherwise by operation of law.

Transfer of shares

- (i) All transfers of certificated shares shall be effected by instrument in writing in any usual or common form or any other form which the Directors may approve. All transfers of CREST shares must be through CREST and must comply with the uncertificated securities rules.
- (ii) Subject to the provisions of the Articles regarding suspension of rights for non-disclosure of interests, the Directors may, in their absolute discretion, refuse to register the transfer of any share which is not a fully paid share. The Directors may likewise refuse to register any transfer of a share, whether fully paid or not, in favour of more than four persons jointly.
- (iii) The Directors may decline to register any instrument of transfer unless:
 - (a) the instrument of transfer is properly stamped to show payment of any applicable stamp duty or certified or otherwise shown to the satisfaction of the Directors to be exempt from stamp duty, and is delivered to the registered office of the Guarantor, or at such other place as the Directors may from time to time determine,

accompanied by the certificate(s) of the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and

- (b) the instrument of transfer is in respect of only one class of shares.
- (iv) The Directors may refuse to register a transfer of CREST shares in the circumstances set out in the uncertificated securities rules.
- (v) No fee shall be charged by the Guarantor on the registration of any instrument of transfer, probate, letters of administration, certificate of death or marriage, power of attorney, stop notice or other document or instruction relating to or affecting the title to any shares or otherwise for making any entry in the register affecting the title to any shares.

Alteration of share capital

Subject to the Statutes and the Articles, the Guarantor may from time to time by ordinary resolution increase, consolidate or subdivide its share capital. Subject to the provisions of the Companies Act, the Guarantor may by special resolution reduce its share capital, capital redemption reserve and share premium account in any way.

Dividend policy

The Guarantor is committed to a high return growth strategy and to the prudent financing principles which support it. The Guarantor will aim to continue to access reserves and resources through successful exploration and acquisition. This strategy has resulted in an impressive increase in the underlying net asset value per share over time, independent of oil price fluctuations. Accordingly, the board of Directors has considered other ways than capital growth in which shareholders can be rewarded for their investment and the Guarantor intends to initiate an appropriate dividend pay-out starting from our final results for the 2012 financial year.

Savings Related Share Option Scheme

Under the Savings Related Share Option Scheme, eligible employees with six months or more continuous service can join the scheme. Employees can save up to £250 per month through payroll deductions for a period of three to five years, after which time they can acquire shares at a discount of up to 20 per cent..

Share Incentive Plan

Under the Share Incentive Plan, employees are invited to make contributions to buy partnership shares. If an employee agrees to buy partnership shares the Guarantor currently matches the number of partnership shares purchased with an award of shares on a one-for-one basis.

Asset and Equity Plan

The Asset and Equity Plan was designed to reward employees for improvement in the asset value of the Guarantor and the market value of the Guarantor over a three-year period. It was operated by reference to two bonus pools – an equity bonus pool and an asset bonus pool. The asset bonus pool

was created by reference to the increase in the net asset value per share of the Guarantor over a three-year period. The equity bonus pool was created by reference to the increase in the equity market value per share of the Guarantor over a three- year period.

The Asset and Equity Plan expired in 2009 and the award granted in 2008, which matured at the end of 2010, is the last award remaining under the plan.

Long Term Incentive Plans

The Long Term Incentive Plan (“LTIP”) was introduced in 2009 to provide a long-term all-employee scheme which motivates all employees and provides a longer-term perspective to the total remuneration package. Awards under the LTIP comprise three elements: “Equity Pool Awards” and “Performance Share Awards” that vest after the expiry of a three-year performance period, and a potential “Matching Award” that vests at the expiry of a further three-year performance period, commencing at the end of the three-year performance period for the “Equity Pool Awards” and “Performance Share Awards”.

TAXATION

The following is a general description of certain Jersey and United Kingdom tax considerations relating to the Bonds, the Preference Shares and the Ordinary Shares. It does not purport to be a complete analysis of all Jersey and United Kingdom tax considerations relating to the Bonds, the Preference Shares and the Ordinary Shares and relates only to persons who are the absolute beneficial owners of the Bonds, the Preference Shares and the Ordinary Shares and hold the Bonds, the Preference Shares and the Ordinary Shares as an investment and does not deal with certain classes of persons such as dealers in securities and those persons who are treated for tax purposes as having received the Bonds, the Preference Shares and the Ordinary Shares by reason of their employment.

Save as specifically mentioned below, this summary only applies to purchasers of Bonds who are resident and (if individuals) ordinarily resident in the United Kingdom for tax purposes. Prospective purchasers of Bonds who may be subject to tax in any jurisdiction other than the United Kingdom or who are in any doubt whatsoever as to their tax position should consult an appropriate adviser immediately.

Jersey Taxation

Income Tax

Under the Income Tax (Jersey) Law 1961, as amended (the "Jersey Income Tax Law"), the Issuer will be regarded as either:

- (i) not resident in Jersey under Article 123(1) of the Jersey Income Tax Law provided that (and for so long as) it satisfies the conditions set out in that provision, in which case the Issuer will not (except as noted below) be liable to Jersey income tax; or
- (ii) resident in Jersey under Article 123C of the Income Tax Law, in which case the Issuer (being neither a financial services company nor a specified utility company under the Jersey Income Tax Law at the date hereof) will (except as noted below) be subject to Jersey income tax at a rate of 0 (zero) per cent..

The Issuer conducts its affairs so as to fall within paragraph (i) above.

If the Issuer derives any income from the ownership or disposal of land in Jersey or the importation and supply of hydrocarbon oil into Jersey, such income will be subject to tax at the rate of 20 (twenty) per cent.. It is not expected that the Issuer will derive any such income.

Bondholders (other than residents of Jersey) will not be subject to any income tax in Jersey in respect of the holding, sale, conversion or other disposition of Bonds. Interest payments made pursuant to the Bonds (other than to residents of Jersey) will not be subject to any withholding or deduction for or on account of Jersey income tax.

Goods and services tax

The Issuer is an 'international services entity' for the purposes of the Goods and Services Tax (Jersey) Law 2007 (the "GST Law"). Consequently, the Issuer is not required to:

- (i) register as a taxable person pursuant to the GST Law;
- (ii) charge goods and services tax in Jersey in respect of any supply made by it; or
- (iii) subject to limited exceptions that are not expected to apply to the Issuer, pay goods and services tax in Jersey in respect of any supply made to it.

Stamp duty

Under current Jersey law, there are no death or estate duties, capital gains, gift, wealth, inheritance or capital transfer taxes. No stamp duty is levied in Jersey on the issue, transfer, acquisition, ownership, redemption, sale or other disposal of Bonds. In the event of the death of an individual sole holder of Bonds, duty at rates of up to 0.75 per cent. of the value of the Bonds held may be payable in Jersey on a grant of probate or letters of administration which may be required in order to transfer or otherwise deal with Bonds held by the deceased individual sole holder thereof.

European Union Directive on the Taxation of Savings Income

As part of an agreement reached in connection with the European Union directive on the taxation of savings income in the form of interest payments, and in line with steps taken by other relevant third countries, Jersey introduced with effect from 1 July 2005 a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU Member State by a paying agent established in Jersey. The retention tax system applies for a transitional period prior to the implementation of a system of automatic communication to EU Member States of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an EU Member State is entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU Member State in which the beneficial owner is resident.

The retention tax system in Jersey is implemented by means of bilateral agreements with each of the EU Member States, the Taxation (Agreements with European Union Member States) (Jersey) Regulations 2005 and Guidance Notes issued by the Policy & Resources Committee of the States of Jersey. Based on these provisions and what is understood to be the current practice of the Jersey tax authorities, the Issuer is not obliged to levy retention tax in Jersey under these provisions in respect of interest payments made by it to a paying agent established outside Jersey.

United Kingdom Taxation

This summary is based upon the Issuer's understanding of the law and UK HM Revenue & Customs practice as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date (possibly with retrospective effect). This summary is intended as a general guide and, except where express reference is made to the position of Holders who are individuals, applies only to Holders who are within the charge to UK corporation tax.

Withholding Tax and Interest on Bonds

Interest paid on the Bonds is expected to be treated as having a United Kingdom source for the purposes of United Kingdom taxation. Therefore in the absence of a specific relief the Issuer will be required to pay interest on the Bonds after deduction of income tax at the basic rate (currently 20 per

cent.). However, the Issuer intends to rely on the exemption from the obligation to pay interest under deduction of income tax that applies in respect of interest paid on “quoted Eurobonds”. The Bonds will constitute “quoted Eurobonds” so long as they are and continue to be listed on a recognised stock exchange, within the meaning of Section 1005 of the Income Tax Act, 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Under a published practice of HM Revenue & Customs, securities will be treated as listed on the London Stock Exchange if they are admitted to the Official List by the UKLA and are admitted to trading on the Professional Securities Market of the London Stock Exchange. Therefore, whilst the Bonds are and continue to be quoted Eurobonds, payments of interest on the Bonds may be made without withholding or deduction for or on account of UK tax.

In the event that the exemption in relation to “quoted Eurobonds” does not apply, interest will generally be paid under deduction of income tax subject to any direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty and subject to any other exemption that may be available to particular Bondholders.

If interest were paid under deduction of UK income tax, Bondholders who are not resident in the UK may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

As the interest is expected to be treated as having a UK source, it may also be chargeable to UK tax by direct assessment. In that event, where the interest is paid without withholding or deduction, the interest will not be assessed to UK tax in the hands of holders of the Bonds who are not resident or (if individuals) ordinarily resident for tax purposes in the UK, except where such persons carry on a trade, profession or vocation in the UK through a UK branch or agency, or in the case of a corporate holder, a permanent establishment in connection with which the interest is received or to which the Bonds are attributable, in which case tax may be levied on the UK branch, agency or permanent establishment. There are exemptions for interest received by certain categories of agents. Exemption from, or reduction of, such UK tax liability might be available under an applicable double taxation treaty.

Provision of Information

Bondholders should note that where any interest on Bonds is paid or credited to them (or to any person acting on their behalf) by any person in the UK acting on behalf of the Issuer (a “paying agent”), or is received by or credited to any person in the UK acting on behalf of the relevant Bondholder (other than solely by clearing or arranging the clearing of a cheque) (a “collecting agent”), then the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HM Revenue & Customs details of the payment and certain details relating to the Bondholder (including the Bondholder’s name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of UK income tax and whether or not the Bondholder is resident in the UK for UK taxation purposes. Where the Bondholder is not so resident, the details provided to HM Revenue & Customs may, in certain cases, be passed by HM Revenue & Customs to the tax authorities of the jurisdiction in which the Bondholder is resident for taxation purposes. For the purposes of this paragraph, “interest” should be taken, for practical purposes, as including payments made by a guarantor in respect of interest on the Bonds.

Intergovernmental Approach to Improving International Tax Compliance and Implementing the Foreign Account Tax Compliance Provisions (known as “FATCA”)

On 18 September 2012, the UK Government published a consultation on implementing the commitments which it made in a joint statement with the United States (the Intergovernmental Agreement to Improve Tax Compliance and to Implement FATCA). The proposals include broadening the scope of information that is provided by the UK Government to tax authorities in certain other territories, and vice versa. Such changes, if introduced, may impact Bonds which have already been issued.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State 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 or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent..

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 (including Jersey), have adopted 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 or certain limited types of entity established in a Member State. In addition, the Member States have entered into reciprocal provision of information 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 or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

Other Rules

References to “interest” above mean “interest” as understood in UK tax law. The statements above do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the terms and conditions of the Bonds or any related documentation. The above description of the UK withholding tax position assumes that there will be no substitution of the Issuer and does not consider the tax consequences of any such substitution.

Conversion and Redemption; disposals and transfers of the Bonds and Shares

The United Kingdom taxation treatment for a Holder within the charge to United Kingdom corporation tax will depend on, amongst other things, the accounting treatment of a Bond in the Holder’s hands, including whether or not the Bonds are regarded as containing an “embedded derivative” as an accounting matter. The accounting treatment will also affect the tax treatment of a disposal or conversion of the Bonds. Holders within the charge to corporation tax should therefore

consult their own accounting and tax advisers concerning their tax liabilities that may arise as a result of holding the Bonds, or as a result of the disposal or conversion of Bonds.

UK Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

No SDRT should be payable on either the issue, transfer or conversion of a Bond. No UK stamp duty should need to be paid on the issue or conversion of the Bonds, or on the transfer of the Bonds provided that any transfer documents are executed and retained outside the UK.

No UK stamp duty or SDRT should be payable on the issue of the Preference Shares.

No SDRT should be required to be paid in respect of the transfer of the Preference Shares. UK stamp duty will not be required to be paid on the transfer of the Preference Shares provided that any transfer documents are executed and retained outside the UK.

No UK stamp duty or SDRT is payable on any issue of Ordinary Shares by the Guarantor in exchange for Preference Shares other than an issue to certain issuers of depositary receipts or providers of clearance services (or their nominees or agents) (see further below).

The documentary transfer on sale of an Ordinary Share will generally be liable to stamp duty, generally at the rate of 0.5 per cent. of the amount or value of the consideration for the transfer rounded-up to the nearest £5. The purchaser normally pays the stamp duty.

An unconditional agreement to sell an Ordinary Share will generally give rise to a liability on the purchaser to SDRT, at the rate of 0.5 per cent. of the amount or value of the consideration for the sale. If a duly stamped transfer in respect of the agreement is produced within six years of the date that the agreement is entered into or (if later) the date that it becomes unconditional, any SDRT paid is repayable generally with interest, and the SDRT charge is cancelled.

Subject to the paragraph below, issues or transfers of Ordinary Shares (1) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts within Section 67 or Section 93 of the Finance Act 1986 or (2) to, or to a nominee or agent for, a person providing a clearance service within Section 70 or Section 96 of the Finance Act 1986, will generally be subject to stamp duty (in the case of transfers) or SDRT (in the case of issues or transfers) at 1.5 per cent. of the amount or value of the consideration or, in certain circumstances, the value of the shares transferred (rounded up to the nearest £5 in the case of stamp duty) unless, in the case of a transfer or issue to a clearance service, the clearance service in question has made an election under Section 97A of the Finance Act 1986 which applies to the Ordinary Shares. Under Section 97A of the Finance Act 1986, clearance services may, provided they meet certain conditions, elect for the 0.5 per cent. rate of stamp duty or SDRT to apply to transfers of securities within such services instead of the 1.5 per cent. rate applying to an issue or transfer of such securities into the clearance service.

Following the decisions of the European Court of Justice in *HSBC Holdings plc and Vidacos Nominees Limited v HMRC* (C-569/07) and the First-tier Tribunal (Tax Chamber) in *HSBC Holdings plc and Bank of New York Mellon Corporation v HMRC* [2012] UKFTT 163 (TC), HM Revenue & Customs has announced that it considers that the 1.5 per cent. SDRT charge no longer applies to issues of UK shares and securities to depositary receipt issuers and clearance services. However, HM Revenue & Customs does not consider that the Tribunal’s decision has any impact upon transfers (on sale or otherwise) of shares and securities to depositary receipt systems or clearance services that are not an integral part of an issue of share capital. Specific professional

advice should be sought before any transfer or issue of Ordinary Shares into a depositary receipt system or clearance service.

Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of Ordinary Shares into the CREST system unless such transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise. Paperless transfers of Ordinary Shares within CREST will generally be liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable.

IF YOU ARE NOT RESIDENT IN THE UK OR ARE SUBJECT TO TAX IN ANY OTHER JURISDICTION OR IF YOU ARE IN ANY DOUBT AS TO YOUR TAX POSITION, YOU SHOULD CONSULT AN APPROPRIATE PROFESSIONAL ADVISER WITHOUT DELAY.

THIS SUMMARY DOES NOT DETAIL THE INCOME TAX, CORPORATION TAX OR CAPITAL GAINS TAX CONSEQUENCES OF A DISPOSAL OR HOLDING OF ORDINARY SHARES OR THE TAX CONSEQUENCES OF A CONVERSION OR SALE OF THE BONDS.

SUBSCRIPTION AND SALE

The Bonds are being issued in exchange for 2014 Bonds pursuant to an exchange offer made to holders of the 2014 Bonds (the “Exchange Offer”) the terms and conditions of which were set out in the Exchange Offer Memorandum.

The Issuer undertook the Exchange Offer because it desired to retain convertible bonds as a proportion of its capital structure and the Exchange Offer provided an effective way for it to extend the maturity date of its outstanding convertible bonds (the 2014 Bonds have a maturity date of 27 June 2014) by issuing longer dated convertible bonds and thereby provide the Group with the additional financial flexibility this affords and at the same time to (i) reduce the coupon payable compared to the coupon payable on the 2014 Bonds (the coupon on the 2014 Bonds is 2.875 per cent per annum) and (ii) increase the exchange price applicable to the Bonds (the exchange price applicable to the 2014 Bonds is US\$6.69 (based on a fixed exchange rate)). In order to have participated in the Exchange Offer, a holder of the 2014 Bonds was required to have validly offered for exchange at least US\$200,000 in principal amount of the 2014 Bonds and integral multiples of US\$1,000 thereafter.

On 29 October 2012, the Issuer announced that it would accept all valid offers of the 2014 Bonds for exchange which amounts to US\$245,324,000 and that accordingly the corresponding amount of Bonds to be issued pursuant to the Exchange Offer is US\$245,324,000.

Following completion of the Exchange Offer, the Issuer is intending to exercise its right to redeem any outstanding 2014 Bonds at their principal amount together with accrued interest to the date of redemption in accordance with condition 9(b) of the terms and conditions of the 2014 Bonds.

The Issuer has conducted the Exchange Offer with the assistance of Barclays Bank PLC and RBC Europe Limited (the “Dealer Managers”). The Issuer, the Guarantor and the Dealer Managers have entered into a dealer manager agreement dated 19 October 2012 (the “Dealer Manager Agreement”).

The issue of the Bonds is not being underwritten by the Dealer Managers or any other person.

The Issuer and the Guarantor have also agreed to reimburse the Dealer Managers for certain of their expenses incurred in connection with the management of the Exchange Offer and issue of the Bonds.

The Issuer and the Guarantor have undertaken that during the period commencing on the date of the Dealer Manager Agreement and ending 90 days after the Closing Date (both dates inclusive), that they will not, and the Guarantor has undertaken to procure that none of its subsidiaries will, without the prior written consent of the Dealer Managers (i) directly or indirectly, issue, offer, pledge, sell, contract to issue or sell, issue or sell any option or contract to purchase, purchase any option or contract to issue or sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any Ordinary Shares or Relevant Securities or any securities convertible into or exercisable or exchangeable for Ordinary Shares or Relevant Securities or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of Ordinary Shares or Relevant Securities, whether any such swap or transaction described in (i) or (ii) above is to be settled by delivery of Ordinary Shares or Relevant Securities or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (a) the issue of the Bonds; (b) any Ordinary Shares issued pursuant to exchange of the Bonds or the 2014 Bonds; (c) the issue of any Preference Shares on redemption or exchange of the Bonds or the issue of any preference shares of the Issuer on

redemption or exchange of the 2014 Bonds; (d) the issue of Ordinary Shares pursuant to any options, warrants or other rights existing at the date of the Dealer Manager Agreement and described herein; (e) the issue of Ordinary Shares pursuant to any employee, director or executive share or option or incentive scheme or plan existing at the date of the Dealer Manager Agreement and described herein; (f) upon exercise of options or exchange rights existing prior to the date of the Dealer Manager Agreement; or (g) the issue of American Depositary Shares (“ADRs”) in respect of existing Ordinary Shares or the surrender of existing ADRs in return for the underlying Ordinary Shares. For the purposes of the foregoing, “Relevant Securities” shall include any participation certificates and any depositary or other receipt, instrument, rights or entitlement representing Ordinary Shares.

Each Dealer Manager and its affiliates have, in the past, performed investment banking and advisory services for the Guarantor and the Group for which they have received customary fees and expenses. The Dealer Managers and their respective affiliates may, from time to time, engage in further transactions with, and perform services for, the Issuer, the Guarantor and the Group in the ordinary course of their respective businesses.

Purchase of Bonds

The Bonds are a new issue of securities with no established trading market. Accordingly, the Issuer and Guarantor cannot assure the liquidity of the trading market for the Bonds.

Purchasers who purchase, or otherwise acquire, Bonds may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase.

General

This Offering Circular does not constitute an offer to buy or the solicitation of an offer to sell the Bonds in any circumstances in which such offer or solicitation is unlawful. No action has been or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required, other than obtaining the consent of the registrar of companies in Jersey to the circulation of this Offering Circular pursuant to Article 5 of the Companies (General Provisions (Jersey)) Order 2002 and delivering a copy of this Offering Circular to the registrar of companies in Jersey.

United States

This Offering Circular is not an offer of securities for sale in the United States or to US persons. The Bonds have not been, and will not be, registered under the Securities Act or the securities laws of any state or jurisdiction of the United States, and may not be offered, sold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of the US persons. This Offering Circular and the Bonds may not be sent, given or delivered other than in an offshore transaction in accordance with Regulation S under the Securities Act.

United Kingdom

The communication of this Offering Circular is not being made, and this Offering Circular has not been approved, by an authorised person for the purposes of section 21 of the Financial Services and Markets Act 2000. Accordingly, this Offering Circular is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

GENERAL INFORMATION

1. Listing

Application has been made to the UKLA for the Bonds to be admitted to the Official List. Application has been made to the London Stock Exchange for the Bonds to be admitted to trading on the Professional Securities Market. It is expected that admission of the Bonds to the Official List of the UKLA and admission to trading of the Bonds on the Professional Securities Market of the London Stock Exchange will be granted on or around 1 November 2012, subject to the issue of the Bonds. It is expected that dealings in the Bonds will commence on 2 November 2012.

The Guarantor has undertaken to apply to have the Ordinary Shares issuable upon conversion of the Bonds admitted to the Official List of the UKLA and admitted to trading on an EEA regulated market of the London Stock Exchange.

The listing of the Bonds on the London Stock Exchange will be expressed in US Dollars as a percentage of their principal amount (exclusive of accrued interest). Transactions will normally be effected for settlement in US Dollars for delivery on the third business day in London after the date of the transaction.

2. Authorisation

The Issuer and the Guarantor have each obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds. The creation and issue of the Bonds has been authorised by a resolution of the board of directors of the Issuer dated 17 October 2012. The giving of the Guarantee of the Bonds has been authorised by the resolution of a duly appointed committee of the Board of Directors of the Guarantor dated 17 October 2012.

3. Expenses

The Guarantor estimates that the amount of expenses related to the issue of the Bonds will be approximately £4,200.

4. Clearing

The Bonds have been accepted for clearance through the Clearstream, Luxembourg and Euroclear systems. The Common Code for the Bonds is 084902187. The ISIN for the Bonds is XS0849021877. The address of Euroclear is 1 Boulevard du Roi Albert I, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855, Luxembourg.

5. Governmental, Legal or Arbitration Proceedings

Other than the Argentinean government's threat of administrative, civil and penal action in relation to the Group's operations in the Falkland Islands, as more particularly described in "*Risk Factors*" at the paragraph entitled "*Political, economic, legal, regulatory and social uncertainties*", there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware) during the 12 months before the date of this Offering Circular, which may have, or have had in the recent past, significant effects on the Issuer's, the Guarantor's and/or the Group's financial position or profitability. Given that the Argentinean government's threat of administrative, civil and penal action has not yet resulted in

proceedings being commenced, the Group cannot quantify the risk of any such proceedings should they be commenced.

6. Financial and Trading Position

There has been no material adverse change in the prospects of the Issuer or of the Guarantor and its subsidiaries taken as a whole in each case since 31 December 2011 nor has there been any significant change in the financial or trading position of the Issuer or of the Guarantor and its subsidiaries taken as a whole in each case since 31 December 2011.

7. Financial Information

The consolidated financial statements of the Guarantor have been audited without qualification for the three financial years ended 31 December 2011 by Deloitte LLP registered by the Institute of Chartered Accountants in England and Wales to carry out audit work.

8. Description of the Guarantor's Articles of Association

The articles of association of the Guarantor (the "**Articles**"), which were adopted by a special resolution of the Guarantor passed on 21 May 2010, include provisions to the following effect:

(a) Objects

The Guarantor's objects are unrestricted.

(b) Directors

(i) *No share qualification:*

A Director shall not be required to hold any shares in the Guarantor by way of qualification.

(ii) *Retirement of Directors by rotation:*

At every annual general meeting of the Guarantor, the following Directors shall retire from office: (a) any Director who has been appointed by the Directors since the last annual general meeting, (b) any Director who held office at the time of the two preceding annual general meetings and who did not retire at either of them, and (c) any Director who has been in office, other than as a Director holding an executive position, for a continuous period of nine years or more at the date of the meeting. Any Director who retires at an annual general meeting may offer himself for re-appointment by the shareholders.

(iii) *Remuneration of Directors:*

(A) The emoluments of any Director holding executive office for his services as such and whether these are in addition to or in place of his fees as a Director shall be determined by the board of the Directors of the Guarantor or any committee authorised by the board of the Directors of the Guarantor and may be of any description.

- (B) The ordinary remuneration of the Directors for their services (excluding amounts payable under any other provision of the Articles) shall not exceed in aggregate £600,000 per annum or such higher amount as the Guarantor may from time to time by ordinary resolution determine. Subject thereto, each Director shall be paid a fee at such rate as may from time to time be determined by the board of Directors of the Guarantor. In addition, any Director who performs services which, in the opinion of the board of Directors of the Guarantor or any committee authorised by the board of Directors of the Guarantor, are outside the scope of the ordinary duties of a Director may be paid such extra remuneration as the board of Directors of the Guarantor or any committee authorised by the board of Directors of the Guarantor may determine.

- (C) In addition to any remuneration to which the Directors are entitled under the Articles, they may be paid reasonable travel, hotel and incidental expenses incurred by them in connection with their attendance at meetings of the board of Directors of the Guarantor or committees of the board of Directors of the Guarantor, general meetings or any other meetings which as Directors they are entitled to attend. Directors may also be paid all other expenses properly and reasonably incurred in connection with the Guarantor's business or in the performance of their duties as Directors. The Guarantor can also fund a Director or director of its holding company for the purposes permitted by the legislation and can do anything to enable such director to avoid incurring such expenditure all as provided in the legislation.

- (D) The board of Directors of the Guarantor or any committee authorised by the board of Directors of the Guarantor can decide whether to provide pensions, annual payments or other benefits to any Director or former Director of the Guarantor, or any relation or dependant of, or person connected to, such a person. The Directors can also decide to contribute to a scheme or fund or to pay premiums to a third party for these purposes. The Guarantor can only provide pensions and other benefits to people who are or were Directors but who have not been employed by, or held an office or executive position in, the Guarantor or any of its subsidiary undertakings or former subsidiary undertakings or any predecessor in business of the Guarantor or any such other company or to relations or dependants of, or persons connected to, these Directors or former Directors if the shareholders approve this by passing an ordinary resolution.

(iv) ***Permitted interests of Directors:***

- (A) The Directors may authorise any matter which would otherwise involve a Director breaching his duty under the Statutes to avoid conflicts of interest. In order to obtain authorisation, the Director must disclose the nature and extent of his interest to the board of Directors of the Guarantor as soon as possible and in sufficient detail. Any Director (including the conflicted Director) may propose this authorisation. In considering this proposal, the conflicted Director will not be entitled to vote and will not count in the quorum and may be excluded from the meeting while the decision is taken.

- (B) Where authority is given, the board of Directors of the Guarantor may specify such terms to be imposed on the Director as the board of Directors of the Guarantor thinks fit e.g. the conflicted Director may be excluded from the receipt of certain information. The board of Directors of the Guarantor may also provide that the Director is not bound to disclose to the Guarantor any information which he comes into possession of otherwise than in his role as a Director of the Guarantor where disclosure would entail a breach of confidence. The terms of the authorisation will be recorded in writing and any authority given may be varied or revoked at any time.
- (C) Where a Director is indirectly or directly interested in a contract with the Guarantor, this must be disclosed in accordance with the Statutes. Where this is the case, the Director may do one or more of the following:
 - (i) have any kind of interest in a contract with or involving the Guarantor;
 - (ii) hold any other office or place of profit with the Guarantor (except that of auditor);
 - (iii) do paid professional work for the Guarantor (other than as auditor);
 - (iv) be or become a Director or other officer of, or employed by, any holding company or subsidiary of the Guarantor; and
 - (v) be or become a Director of any other company so long as the appointment cannot reasonably be regarded as giving rise to a conflict of interest.
- (D) A Director does not have to hand over to the Guarantor any benefit he receives or profit he makes as a result of anything authorised under (A) or allowed under (C), nor is any type of contract authorised under (A) or allowed under (C) liable to be avoided.
- (v) ***Restrictions on voting:***
 - (A) A Director cannot vote or be counted in the quorum when the board of Directors of the Guarantor is considering his appointment to a position within the Guarantor or a company in which the Guarantor has an interest, or the terms or termination of his appointment.
 - (B) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to positions within the Guarantor or any company in which the Guarantor is interested, such proposals may be divided and considered in relation to each Director separately and in such cases each of the Directors concerned (if not debarred from voting under other provisions set out in the Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

- (C) A Director cannot vote or be counted in the quorum in relation to any resolution of the board of Directors of the Guarantor in respect of any contract in which he has an interest. A Director may however vote where his interest cannot reasonably be regarded as likely to give rise to a conflict of interest or where that interest is included in the following list:
- (i) a resolution about giving him any guarantee, indemnity or security for money which he or any other person has lent or obligations he or any other person has undertaken at the request of or for the benefit of the Guarantor or any of its subsidiary undertakings;
 - (ii) a resolution about giving any guarantee, indemnity or security to another person for a debt or obligation which is owed by the Guarantor or any of its subsidiary undertakings to that other person if the Director has taken responsibility for some or all of that debt or obligation. The Director can take this responsibility by giving a guarantee, indemnity or security;
 - (iii) a resolution about giving him any other indemnity where all other Directors are also being offered indemnities on substantially the same terms;
 - (iv) a resolution about the Guarantor funding his expenditure on defending proceedings or the Guarantor doing something to enable him to avoid incurring such expenditure where all other Directors are being offered substantially the same arrangements;
 - (v) a resolution relating to an offer by the Guarantor or any of its subsidiary undertakings of any shares or debentures or other securities for subscription or purchase if the Director takes part because he is a holder of shares, debentures or other securities or if he takes part in the underwriting or sub-underwriting of the offer;
 - (vi) a resolution about a contract in which he has an interest because of his interest in shares or debentures or other securities of the Guarantor or because of any other interest in or through the Guarantor;
 - (vii) a resolution about a contract involving any other company if the Director has an interest of any kind in that company (including an interest by holding any position in that company or by being a shareholder in that company), as long as he does not hold an interest in shares representing one per cent. or more of any class of equity share capital of that company or of the voting rights in that company;
 - (viii) a resolution about a contract relating to a pension fund, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme which gives the

Director benefits which are also generally given to the employees to whom the fund or scheme relates;

- (ix) a resolution about a contract relating to an arrangement for the benefit of employees of the Guarantor or of any of its subsidiary undertakings which only gives him benefits which are also generally given to the employees to whom the arrangement relates; and
- (x) a resolution about a contract relating to any insurance which the Guarantor can buy or renew for the benefit of Directors or of a group of people which includes Directors.

- (D) If any question shall arise at any meeting as to whether a Director has an interest in a contract and whether it is likely to give rise to a conflict of interest or whether he can vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting and not be counted in the quorum, such question shall be referred to the Chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned has not been fairly disclosed.

(vi) ***Borrowing powers:***

- (A) The Directors may exercise all the Guarantor's powers:
 - (i) to borrow money;
 - (ii) to guarantee;
 - (iii) to indemnify;
 - (iv) to mortgage or charge all or any of the Guarantor's undertaking, property and assets (present and future) and uncalled capital;
 - (v) to issue debentures and other securities; and
 - (vi) to give security, either outright or as collateral security, for any debt, liability or obligation of the Guarantor or of any third party.
- (B) (i) The Directors must limit the borrowings of the Guarantor and exercise all voting and other rights or powers of control exercisable by the Guarantor in relation to its subsidiary undertakings so as to ensure that no money is borrowed if the total amount of the group's borrowings then exceeds, or would as a result of such borrowing exceed, four times the Guarantor's adjusted capital and reserves. This affects subsidiary undertakings only to the extent that the Directors can do this by exercising these rights or powers of control.

- (ii) This limit can be exceeded if the consent of the shareholders has been given in advance by passing an ordinary resolution.
- (iii) This limit does not include any borrowings owing by one member of the group to another member of the group.

(C) Adjusted capital and reserves

The Guarantor's adjusted capital and reserves will be established by the following calculations:-

Add:-

- (i) the amount paid up on the Guarantor's issued share capital (including any shares held as treasury shares); and
- (ii) the amount standing to the credit of the reserves of the Guarantor (which include any share premium account, retained earnings, revenue reserve, capital redemption reserve, equity reserve, any credit balance on the Guarantor's translation and hedging reserves),

using the figures shown on the then latest audited balance sheet.

Then:-

- (iii) deduct any debit balance on retained earnings or revenue reserve at the date of the audited balance sheet (if such a deduction has not already been made on that account),

and

- (iv) make any adjustments needed to reflect any changes since the date of the audited balance sheet to the amount of paid up share capital, share premium account or capital redemption reserve.

(D) Borrowings

When calculating the group's borrowings, the Directors will include not only borrowings but also the following (unless these have already been included in borrowings):-

- (i) the amount of any issued and paid up share capital and the principal amount of any debentures or borrowed moneys not beneficially owned by a member of the group where a member of the group has given a guarantee or indemnity for its redemption or repayment or where a member of the group may have to buy such share capital, debenture or borrowed money;
- (ii) the amount outstanding under any acceptance credits opened for or in favour of any member of the group;

- (iii) the principal amount of any debenture (whether secured or unsecured) issued by any member of the group which is not beneficially owned by any other member of the group;
- (iv) any fixed or minimum premium payable on the final repayment of any borrowing or deemed borrowing; and
- (v) the minority proportion of moneys borrowed by a member of the group and owing to a partly-owned subsidiary undertaking.

However, the Directors will not include the following items in the borrowings:

- (vi) amounts borrowed by any member of the group to repay some or all of any other borrowings of any member of the group (but this exclusion will only apply if the original debt is discharged within six months from the new borrowing);
- (vii) amounts borrowed by any member of the group to finance any contract where part of the price receivable by any member of the group is guaranteed or insured by the Export Credits Guarantee Department or any other similar government department or agency (but this exclusion will only apply up to an amount equal to the amount guaranteed or insured);
- (viii) amounts borrowed by, or amount secured on assets of, an undertaking which became a subsidiary undertaking of the Guarantor after the date of the last audited balance sheet (but this exclusion will only apply up to an amount equal to the amount of borrowing, or amounts secured on assets, of the undertaking at the time immediately after it became a subsidiary undertaking); or
- (ix) the minority proportion of moneys borrowed by a partly-owned subsidiary undertaking which is not owing to another member of the group.

(E) Any foreign currency amounts will be translated into sterling when calculating total borrowings. The exchange rate applied will be the exchange rate on:-

- (i) the last business day before the date of the calculation; or
- (ii) the last business day six months before the date of the calculation,

whichever exchange rate produces the lower figure.

The exchange rate will be taken as the spot rate in London which is recommended by a London clearing bank (chosen by the Directors for this purpose) as the most appropriate rate for buying the relevant currency for sterling on the relevant day.

(F) If the amount of adjusted capital and reserves is being calculated in connection with a transaction involving a company becoming or ceasing to be a member of the group, the amount is to be calculated as if the transaction had already occurred.

- (G) The audited balance sheet of the Guarantor will be taken as the audited balance sheet of the Guarantor prepared for the purposes of the legislation. However, if an audited consolidated balance sheet relating to the Guarantor and its subsidiary undertakings has been prepared for the same financial year, the audited consolidated balance sheet will be used instead. In that case, all references to reserves and profit and loss account will be taken to be references to consolidated reserves and consolidated profit and loss account respectively. Any amounts relating to outside interests in subsidiary undertakings will also be excluded.
- (H) The Guarantor may from time to time change the accounting convention applied in the preparation of the audited balance sheet, but any new convention applied must comply with the requirements of the legislation. If the Guarantor prepares a supplementary audited balance sheet applying a different convention from the main audited balance sheet, the main audited balance sheet will be taken as the audited balance sheet for the purposes of the calculations.
- (I) The group will be taken as the Guarantor and its subsidiary undertakings (if any).
- (J) For the purposes of this Article, the minority proportion means a proportion equal to the proportion of the issued share capital of a partly-owned subsidiary undertaking which does not belong to a member of the group.
- (K) A certificate or report by the Guarantor's auditors:-
 - (i) as to the amount of the adjusted capital and reserves;
 - (ii) as to the amount of any borrowings; or
 - (iii) to the effect that the limit imposed by this article has not been or will not be exceeded at any particular time, will be conclusive evidence of that amount or that fact.

(vii) ***Indemnity of Directors:***

- (A) Subject to the provisions of the Statutes, the Guarantor:-
 - (i) can indemnify any Director or former Director of the Guarantor or of any associated company against any liability; and
 - (ii) can purchase and maintain insurance against any liability for any Director or former Director of the Guarantor or of any associated company;
- (B) A Director or former Director of the Guarantor or of any associated company will not be accountable to the Guarantor or the shareholders for any benefit provided pursuant to this Article. Anyone receiving such a benefit will not be disqualified from being or becoming a Director of the Guarantor.

9. Material Contracts

(a) ***Contracts relating to the Bonds***

The following contracts directly concerning the issue of the Bonds have been entered into by a member of the Group before the publication of this Offering Circular or will, shortly after the date of this Offering Circular, be entered into by a member of the Group and are, or may be, material:

- (A) the Trust Deed dated 1 November 2012 between the Issuer, the Guarantor and Deutsche Trustee Company Limited as Trustee, *inter alia*, constituting the Bonds and appointing the Trustee to act in that capacity and under which such commission in respect of the services of the Trustee as shall be agreed between the Issuer, the Guarantor and the Issuer and the Trustee is to be paid;
 - (B) the Paying, Transfer and Exchange Agency Agreement dated 1 November 2012 between the Issuer, the Guarantor, Deutsche Bank AG, London Branch, the Trustee and others setting out, *inter alia*, the terms of appointment and duties of Deutsche Bank AG, London Branch in its capacity as Principal Paying, Transfer and Exchange Agent and under which such commissions in respect of the services of the agents as shall be agreed between them and the Issuer and the Guarantor are to be paid;
 - (C) the Dealer Manager Agreement;
 - (D) the Deed Poll;
 - (E) an exchange offer memorandum dated 19 October 2012 issued by the Issuer inviting holders of the 2014 Bonds to participate in the Exchange Offer (the “**Exchange Offer Memorandum**”) which was made on certain terms and subject to certain conditions (which the Issuer was permitted to amend or waive) as set out in the Exchange Offer Memorandum. Such terms and conditions included: (i) for a holder of the 2014 Bonds to participate in the Exchange Offer, such holder must validly offer for exchange at least US\$200,000 in principal amount of the 2014 Bonds, and (ii) the Issuer would only accept offers to exchange the 2014 Bonds if at least US\$100,000,000 in aggregate principal amount of the 2014 Bonds was validly offered by the holders of the 2014 Bonds in the Exchange Offer; and
 - (F) an exchange agency agreement dated 19 October 2012 between the Issuer, the Guarantor, and Deutsche Bank AG, London Branch, setting out the terms of the appointment and duties of Deutsche Bank AG, London Branch in its capacity as exchange agent in respect of the Exchange Offer (the “**Exchange Agency Agreement**”).
- (b) ***Other Agreements***

Contracts relating to the 2014 Bonds

The Guarantor is guarantor of the 2014 Bonds. Subject to and in accordance with the 2014 Bond Conditions, the 2014 Bonds are convertible into 2014 Preference Shares in the Issuer which, in turn, are exchangeable for ordinary shares in the Guarantor.

The conversion rights and exchange rights are guaranteed by the Guarantor pursuant to a deed poll dated 27 June 2007 (see below).

Unless previously purchased and cancelled, redeemed or converted, the 2014 Bonds will be redeemed on 27 June 2014. The 2014 Bonds are in registered form and issued in the principal amounts of US\$100,000 and integral multiples of US\$1,000 in excess thereof up to and including US\$199,000. The 2014 Bonds are represented by a global registered bond held on behalf of Euroclear and Clearstream, Luxembourg. The global registered bond is exchangeable in certain limited circumstances in whole, but not in part, for definitive registered 2014 Bonds.

The 2014 Bonds bear interest from and including 27 June 2007 (the "2014 Bond Closing Date") at 2.875 per cent. per annum payable semi-annually in equal instalments in arrear on 27 June and 27 December each year, commencing on 27 December 2007.

The Guarantor entered the following ongoing contracts in respect of the 2014 Bond issue:

(i) *2014 Bond Trust Deed*

The trust deed dated 27 June 2007 (the "2014 Bond Trust Deed") between the Issuer, the Guarantor and Deutsche Trustee Company Limited (as Trustee) sets out, *inter alia*, (i) the form and terms and conditions of the original definitive registered 2014 Bonds, (ii) the guarantee given by the Guarantor and (iii) the appointment of the Trustee, all in a manner as is customary in such deeds.

The 2014 Bond Conditions are customary for securities of this nature. In particular:

- The Issuer and the Guarantor make a negative pledge that, so long as any 2014 Bond remains outstanding, they will not create or permit to subsist any mortgage, charge or other form of encumbrance or security interest in respect of certain debt unless approved by the Trustee, in its absolute discretion;
- no transfer of a 2014 Bond will be valid unless and until entered on a register to be kept by the Issuer; and
- the Trustee at its discretion, and if so requested by holders of not less than 25 per cent. in principal amount of the 2014 Bonds then outstanding or if so directed by an extraordinary resolution of the bondholders, shall give notice in writing to the Issuer that the 2014 Bonds are due and payable at the principal amount together with accrued interest if any of the events of default occur, which include, *inter alia*: non-payment on maturity for a period of seven calendar days; non-payment of any interest due for a period of 14 calendar days; breach by the Guarantor or the Issuer of any obligations in the 2014 Bonds or the 2014 Bond Trust Deed not remedied within 30 days; and if insolvency or winding-up occur or are threatened by the Issuer, the Guarantor or any material subsidiary.

In the 2014 Bond Trust Deed, the Guarantor unconditionally and irrevocably guarantees the due and punctual payment of all sums from time to time payable by the Issuer in respect of the 2014 Bonds and the due and punctual performance by the Issuer of all of the Issuer's other obligations in respect of the 2014 Bonds. The guarantee constitutes an unsubordinated, direct, unconditional and (subject to terms and conditions) unsecured obligation of the Guarantor and shall, save for such

exceptions as may be provided by applicable law and subject to relevant conditions, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

The Guarantor's obligations under the Trust Deed remain in full force until no sum remains payable under the 2014 Bond Trust Deed or the 2014 Bonds.

The 2014 Bond Trust Deed appoints the Trustee subject to such terms and conditions as are customary in such deeds, including, among others, that moneys held by the Trustee may be invested in its name, or under its control in any investments or other assets and in such currency as the Trustee, in its absolute discretion, think fit.

The 2014 Bond Trust Deed is governed by English law.

(ii) *Paying, Transfer and Exchange Agency Agreement*

The paying, transfer and exchange agency agreement dated 27 June 2007 (the "2014 Bond Agency Agreement") between, amongst others, the Issuer, the Guarantor, Deutsche Bank (as the Paying, Transfer and Exchange Agent) and Deutsche Trustee Company Limited (as the Trustee) sets out, *inter alia*, the terms of appointment and duties of Deutsche Bank AG, London Branch in its capacity as Paying, Transfer and Exchange Agent.

The 2014 Bond Agency Agreement contains such terms and conditions as are customary in such an agreement.

As regards moneys held by the Paying, Transfer and Exchange Agent following payments in respect of the 2014 Bonds, the Paying, Transfer and Exchange Agent may deal with moneys paid to it under the 2014 Bond Agency Agreement in the same manner as other moneys paid to it as a banker by its customers except that: (i) it may not exercise any lien, right of set-off or similar claim in respect of them; and, (ii) it shall not be liable to anyone for interest on any sums held by it under the 2014 Bond Agency Agreement. No money held by the Paying, Transfer and Exchange Agent need be segregated except as required by law.

The 2014 Bond Agency Agreement also sets out such powers of the Trustee as are customary in agreements of this nature, including its capacity to insist that all moneys, documents and records in respect of the 2014 Bonds are delivered to the Trustee if a potential event of default or an event of default has occurred.

The Issuer and the Guarantor jointly and severally indemnify the Paying, Transfer and Exchange Agent against any loss, liability, cost, action or expense which it may properly incur or which may be made against it arising out of or in relation to or in connection with its appointment or the exercise of its functions, except such as may result from a breach by it of the 2014 Bond Agency Agreement or its fraud, wilful default, negligence or bad faith.

The Issuer and the Guarantor may, with the prior written approval of the Trustee, at any time terminate the appointment of the Paying, Transfer and Exchange Agent by giving it at least 60 days' notice to that effect.

The 2014 Bond Agency Agreement is governed by English law.

(iii) *Deed Poll*

The deed poll was executed on 27 June 2007 (the "2014 Bond Deed Poll") by the Guarantor in favour of the Issuer and the holders of 2014 Preference Shares in the capital of the Issuer.

The Guarantor undertakes to the Issuer and to each of the holders of 2014 Preference Shares in the capital of the Guarantor, to the extent that the amounts due are not paid by the Guarantor, to make due and punctual payment of all redemption monies, dividends and other amounts expressed to be payable in respect of the 2014 Preference Shares in the capital of the Guarantor. The 2014 Bond Deed Poll is a continuing guarantee and remains in full force and effect until all redemption monies, dividends and other amounts expressed to be payable have been paid in full.

The 2014 Bond Deed Poll also sets out the Guarantor's purchase offer whereby the Guarantor offers and undertakes to each of the holders of 2014 Preference Shares in the capital of the Issuer, and to the Issuer, to purchase the 2014 Preference Shares allotted and issued on the conversion of any 2014 Bond and, in consideration for such purchase, to deliver fully paid ordinary shares in the Guarantor to the holders of 2014 Preference Shares in the capital of the Issuer.

Furthermore, the Guarantor also undertakes in the Deed Poll that it will, in the event of failure of the Issuer to perform the same when due to be performed: (i) procure the performance by the Issuer of all obligations to be performed by the Issuer; and, (ii) procure the enforcement by the Issuer of all the Issuer's rights, in either case, with respect to the exchange rights and share exchange rights of holders of the 2014 Bonds.

The Deed Poll is governed by English law.

Credit Agreements

The Issuer, Guarantor and certain members of the Group have entered into the following credit agreements:

- (i) a revolving loan and letter of credit facility agreement dated 29 October 2010 as amended from time to time including on 26 October 2011 (the "Facilities Agreement");
- (ii) a US\$300,000,000 term loan facility agreement dated 30 April 2010 as amended on 27 October 2010 (the "US\$300m Term Loan Facility"); and

- (iii) a US\$350,000,000 revolving credit facility agreement dated 9 February 2012, as (the "US\$350m Revolving Credit Facility").

(i) *Facilities Agreement*

The lenders under the Facilities Agreement as of the date of this document are The Bank of Tokyo-Mitsubishi UFJ, Ltd., Barclays Bank PLC, Bayerische Landesbank, London Branch, BNP Paribas, Citibank N.A., London Branch, Commonwealth Bank of Australia, DBS Bank Ltd, London Branch, Deutsche Bank AG, London Branch, DNB Nor Bank ASA, HSBC Bank plc, ING Bank NV, Lloyds TSB Bank plc, Natixis, Nordea Bank Finland Plc, London Branch, Royal Bank of Canada, Standard Chartered Bank, Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Banking Corporation Europe Limited.

The Facilities Agreement provides a Revolving Credit Facility of US\$678,000,000 and letter of credit facilities of £82,500,000 and £168,352,552 (the "Letter of Credit Facilities"). The Revolving Credit Facility is available for general corporate purposes. The Letter of Credit Facilities may be used to issue certain letters of credit or loans specified in the Facilities Agreement.

Loans drawn under the Facilities Agreement bear interest at the aggregate of (a) an agreed margin per annum; (b) LIBOR; and (c) mandatory costs, if any. The margin is calculated based on the Guarantor's and certain of its subsidiaries' consolidated leverage ratio and can range from 1.75 per cent. to 3.00 per cent. per annum. Interest on overdue amounts is charged at a rate of 1.00 per cent. per annum above the rate otherwise applicable to loans drawn down under the Facilities Agreement. Certain fees are payable in connection with the Facilities Agreement including a commitment fee payable on the undrawn, uncanceled amount of each lender's commitment. A letter of credit fee is payable in respect of letters of credit issued under the Letter of Credit Facilities. The letter of credit fee is payable on the daily outstanding amount of each Letter of Credit issued under the Letter of Credit Facilities and the letter of credit fee is calculated based on the Guarantor's and certain of its subsidiaries' consolidated leverage ratio.

Each loan made under the Facilities Agreement is repayable in full on the last day of its term. The term of a loan made under the Facilities Agreement can be one, two, three or six months or any other period as agreed by the Guarantor and the lenders. The scheduled final maturity date under the Facilities Agreement is 31 March 2015. Loans or letters of credit may be voluntarily prepaid and the Facilities Agreement provides for mandatory prepayment in certain instances, including on a change of control of the Guarantor (which will occur if any person or group of persons acting in concert gains control of the Guarantor).

The Guarantor and certain of its subsidiaries guarantee each borrower's payment obligations under the Facilities Agreement and grant various indemnities. The Facilities Agreement includes certain events of default which entitle the lenders to cancel the facilities and demand immediate repayment of any outstanding amounts. The Facilities Agreement also contains customary representations and warranties, affirmative and negative covenants, and conditions precedent. The Guarantor is

also required to ensure that financial covenants relating to permitted leverage and interest cover ratios are met.

(ii) *US\$300m Term Loan Facility*

The original lenders under the US\$300m Term Loan Facility are Lloyds TSB Bank plc and Mediobanca International (Luxembourg) S.A. The US\$300m Term Loan Facility has a final maturity date of 7 May 2015 and is available for general corporate purposes.

Drawings under the US\$300m Term Loan Facility bear interest at the aggregate of (a) an agreed margin per annum; (b) LIBOR; and (c) additional mandatory costs, if any, to cover regulatory or reserve accounts. The margin in respect of the US\$300m Term Loan Facility is 2.50 per cent. per annum. Interest on overdue amounts is charged at a rate of 1.00 per cent. per annum above the rate at which the loan is drawn down under the US\$300m Term Loan Facility.

The Issuer, Guarantor and various members of the Group are required to guarantee the payment obligations of each borrower under the US\$300m Term Loan Facility and to grant various indemnities.

The loan drawn down under the US\$300m Term Loan Facility must be repaid in full on the final maturity date. The US\$300m Term Loan Facility allows voluntary prepayment and also contains certain mandatory prepayment events requiring the facility to be immediately prepaid in full. These events include the occurrence of a change of control of the Guarantor (which will occur if any person or group of persons acting in concert gains control of the Guarantor) and the completion of a class 1 transaction by a member of the Group.

The US\$300m Term Loan Facility includes events of default which will entitle the lenders to terminate the facility and demand immediate repayment. The US\$300m Term Loan Facility also contains customary representations and warranties, affirmative and negative covenants, and conditions precedent. The Guarantor is also required to ensure that financial covenants relating to permitted leverage and interest cover ratios are met.

The US\$300m Term Loan Facility is governed by English law.

(iii) *US\$350m Revolving Credit Facility*

The lenders under the US\$350m Revolving Credit Facility are The Bank of Tokyo-Mitsubishi UFJ, Ltd., Barclays Bank PLC, HSBC Bank Plc, Lloyds TSB Bank plc, Royal Bank of Canada, Standard Chartered Bank, Australia and New Zealand Banking Group Limited, Canadian Imperial Bank of Commerce, Citibank, N.A., Commonwealth Bank of Australia, DBS Bank Ltd, DNB Bank ASA, and Sumitomo Mitsui Banking Corporation. The US\$350m Revolving Credit Facility is available for general corporate purposes.

Drawings under the US\$350m Revolving Credit Facility bear interest at the aggregate of (a) an agreed margin per annum; (b) LIBOR; and (c) additional

mandatory costs, if any, to cover regulatory or reserve accounts. The initial margin in respect of the US\$350m Revolving Credit Facility is 2.25 per cent. per annum and the margin is subsequently calculated by reference to a leverage-based margin ratchet. Interest on overdue amounts is charged at a rate of 1.00 per cent. per annum above the rate at which the loan is drawn down under the US\$350m Revolving Credit Facility.

The Issuer, the Guarantor and various members of the Group are required to guarantee the payment obligations of each borrower under the US\$350m Revolving Credit Facility and to grant various indemnities.

Each loan made under the US\$350m Revolving Credit Facility is repayable in full on the last day of its term. The term of a loan made under the US\$350m Revolving Credit Facility can be one, two, three or six months or any other period as agreed by the Guarantor and the lenders. The scheduled final maturity date under the US\$350m Revolving Credit Facility is 31 March 2017. Loans may be voluntarily prepaid and the US\$350m Revolving Credit Facility provides for mandatory prepayment in certain instances, including on a change of control of the Guarantor (which will occur if any person or group of persons acting in concert gains control of the Guarantor).

The US\$350m Revolving Credit Facility includes events of default which will entitle the lenders to cancel any undrawn commitments, demand immediate repayment of all amounts outstanding under the US\$350m Revolving Credit Facility. The US\$350m Revolving Credit Facility also contains customary representations and warranties, affirmative and negative covenants, and conditions precedent. The Guarantor is also required to ensure that financial covenants relating to permitted leverage and interest cover ratios are met.

The US\$350m Revolving Credit Facility is governed by English law.

Note Purchase Agreements

The Guarantor has entered into the following note purchase agreements:

- (i) a note purchase agreement dated 9 June 2011 (the “**2011 NPA**”); and
 - (ii) a note purchase agreement dated 15 March 2012 (the “**2012 NPA**”).
- (i) *The 2011 NPA*

The 2011 NPA provides for the issue and sale of a series of senior notes by POUKL (the “**2011 Notes Issuer**”) pursuant to a United States private placement. The notes were issued on 9 June 2011 in tranches of €75,000,000 (the “**2011 Series A Notes**”), US\$70,000,000 (the “**2011 Series B Notes**”) and US\$174,000,000 (the “**2011 Series C Notes**”) (together the “**2011 Notes**”).

Interest is payable on the 2011 Series A Notes at 5.32 per cent. per annum, the 2011 Series B Notes at 5.11 per cent. per annum and the 2011 Series C

Notes at 5.78 per cent per annum. In each case interest is payable semi-annually in arrears on 9 June and 9 December each year, commencing on 9 December 2011. The 2011 Series A Notes and the 2011 Series B Notes mature on 9 June 2018 and the 2011 Series C Notes mature on 9 June 2021. The proceeds of the sale of the 2011 Notes may be used for other general corporate purposes.

The unpaid principal balance of each series of the 2011 Notes must be repaid on the maturity dates specified above. The 2011 Notes Issuer has the option to prepay the 2011 Notes in whole or in part at any time after issue. If such optional prepayment is made, the 2011 Notes Issuer must pay an amount equal to par plus accrued interest plus the make whole amount, if any. In the event of a change of control of the Guarantor (where a person or a group of persons acting in concert gain control of the Guarantor), the 2011 Notes Issuer must offer to prepay the entire unpaid principal amount of notes held by each holder at 100 per cent. of the principal amount of the notes at par, together with interest.

The payment of the 2011 Notes and the performance by the 2011 Notes Issuer of its obligations under the 2011 NPA are guaranteed by the Issuer, the Guarantor and various members of the Group.

The 2011 NPA contains representations and warranties customary for agreements of this kind. The 2011 NPA includes customary affirmative covenants together with negative covenants restricting (subject in each case to certain specified exceptions) transactions with affiliates, mergers and consolidations, the sale of assets, the creation of liens and the incurrence of financial indebtedness. The Guarantor is also required to ensure that financial covenants relating to permitted leverage ratios, interest cover ratios and project investments are met.

The 2011 NPA contains events of default including non-payment of principal or interest due on the 2011 Notes, breach of representation or warranty, breach of covenant, cross default and insolvency of the Guarantor or certain members of the Group. The occurrence of an event of default results (subject to certain conditions specified in the 2011 NPA) in all of the 2011 Notes then outstanding becoming immediately due and payable.

The 2011 NPA is governed by English law.

(ii) *The 2012 NPA*

The 2012 NPA provides for the issue and sale of a series of senior notes by POUKL (the "**2012 Notes Issuer**") pursuant to a United States private placement. The notes were issued on 15 March 2012 in tranches of €25,000,000 (the "**2012 Series A Notes**"), US\$70,000,000 (the "**2012 Series B Notes**"), US\$94,000,000 (the "**2012 Series C Notes**") and US\$38,000,000 (the "**2012 Series D Notes**") (together the "**2012 Notes**").

Interest is payable on the 2012 Series A Notes at 4.58 per cent. per annum, the 2012 Series B Notes at 4.67 per cent. per annum, the 2012 Series C Notes at 5.29 per cent. per annum and the 2012 Series D Notes at 5.44 per cent. per annum. In each case interest is payable semi-annually in arrears on 15 March and 15 September each year, commencing on 15 September 2012. The 2012 Series A Notes and the 2012 Series B Notes mature on 15 March 2019, the 2012 Series C Notes mature on 15 March 2022, and the 2012 Series D Notes mature on 15 March 2024. The proceeds of the sale of the 2012 Notes may be used for other general corporate purposes.

The unpaid principal balance of each series of the 2012 Notes must be repaid on the maturity dates specified above. The 2012 Notes Issuer has the option to prepay the 2012 Notes in whole or in part at any time after issue. If such optional prepayment is made, the 2012 Notes Issuer must pay an amount equal to par plus accrued interest plus the make whole amount, if any. In the event of a change of control of the Guarantor (where a person or a group of persons acting in concert gain control of the Guarantor), the 2012 Notes Issuer must offer to prepay the entire unpaid principal amount of notes held by each holder at 100 per cent. of the principal amount of the notes at par, together with interest.

The payment of the 2012 Notes and the performance by the 2012 Notes Issuer of its obligations under the 2012 NPA are guaranteed by the Issuer, the Guarantor and various members of the Group.

The 2012 NPA contains representations and warranties customary for agreements of this kind. The 2012 NPA includes customary affirmative covenants together with negative covenants restricting (subject in each case to certain specified exceptions) transactions with affiliates, mergers and consolidations, the sale of assets, the creation of liens and the incurrence of financial indebtedness. The Guarantor is also required to ensure that financial covenants relating to permitted leverage ratios, interest cover ratios and project investments are met.

The 2012 NPA contains events of default including non-payment of principal or interest due on the 2012 Notes, breach of representation or warranty, breach of covenant, cross default and insolvency of the Guarantor or certain members of the Group. The occurrence of an event of default results (subject to certain conditions specified in the 2011 NPA) in all of the 2012 Notes then outstanding becoming immediately due and payable.

The 2012 NPA is governed by English law.

Other Agreements

Rockhopper Transaction – Sale and Purchase Agreement

The Guarantor entered into a conditional sale and purchase agreement (the “**Rockhopper Sales and Purchase Agreement**”) dated 12 July 2012 with Rockhopper and Premier Oil Exploration and Production Limited (“**POEPL**”).

Under the Rockhopper Sales and Purchase Agreement, POEPL has agreed to acquire interests in, and operatorship of, certain of Rockhopper's offshore production licences in the Falkland Islands, including the Sea Lion development (the "Sea Lion Field"), for an initial amount of US\$231 million (subject to certain adjustments).

Subject to certain conditions, POEPL has agreed to fund Rockhopper's costs up to US\$48 million (the "Exploration Cap") for the next three exploration wells to be drilled on Rockhopper's acreage in the Falkland Islands. POEPL has also agreed to, subject to development approval from the Falkland Islands Government, fund Rockhopper's share of certain capital expenditure relating to the development of the Sea Lion Field up to US\$722 million. POEPL has also agreed to make available a standby financing facility. In the event that Rockhopper chooses to draw down on this facility, POEPL will take an enhanced share of entitlement production and cash flows from the Sea Lion and related fields. The enhanced share will continue until POEPL has realised a 15 per cent. post tax internal rate of return on its investment (defined as its working interest share of capital expenditure plus the amount of the drawn standby financing facility. Thereafter, cash flows will be shared pro-rata to equity interests. If costs exceed the approved development project budget by more than 10 per cent., the entitlement production share due to POEPL will be adjusted to deliver a reduced 12 per cent. internal rate of return on incremental funds drawn by Rockhopper from the standby financing facility to fund the project overrun costs.

The Rockhopper Sales and Purchase Agreement is governed by English law.

11. Documents on Display

Copies of the following documents may be inspected during normal business hours at the offices of the Principal Paying Agent during the 12 months starting on the date on which this Offering Circular is made available to the public as required by the Offering Circular rules made by the Financial Services Authority:

- (i) the Memorandum and Articles of Association of the Issuer;
- (ii) the Articles of Association of the Guarantor;
- (iii) the Annual Reports;
- (iv) the 2012 Half-Yearly Reports;
- (v) the Issuer's 2010 and 2011 Financial Statements;
- (vi) the Paying, Transfer and Exchange Agency Agreement, the Trust Deed and the Deed Poll; and
- (vii) the Exchange Offer Memorandum, the Dealer Manager Agreement and the Exchange Agency Agreement.

In addition, this Offering Circular is also available at the website of the Regulatory News Service operated by the London Stock Exchange at:
www.londonstockexchange.com/gbpricenews/marketnews

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

The following definitions apply throughout this Offering Circular unless the context requires otherwise:

"2014 Bonds"	the US\$250,000,000 2.875 per cent. guaranteed convertible bond issued by the Issuer on 27 June 2007, as described in the " <i>General Information</i> " section of this Offering Circular
"2014 Bond Deed Poll"	the deed poll dated 27 June 2007 relating to the 2014 Bonds as described in the " <i>General Information</i> " section of this Offering Circular
"2014 Bond Trust Deed"	the trust deed dated 27 June 2007 relating to the 2014 Bonds as described in the " <i>General Information</i> " section of this Offering Circular
"2014 Preference Shares"	preference shares of US\$1,000 each in the Issuer having the rights set out in the articles of association of the Issuer
"Annual Reports"	the Guarantor's annual reports for the years ended 31 December 2010 and 2011
"Preference Shares"	B preference shares of US\$1,000 each in the Issuer having the rights set out in the articles of association of the Issuer.
"Bonds"	the 2.5 per cent. Guaranteed Convertible Bonds due 2018
"Clearstream, Luxembourg"	Clearstream Banking, société anonyme
"Commission"	Jersey Financial Services Commission
"Companies Act" or "Companies Act 2006"	the United Kingdom Companies Act 2006, as amended
"CRD"	Cá Ròng Đô
"Directors"	the Executive Directors and Non-executive Directors of the Guarantor
"EU"	the European Union as established by the Treaty on European Union
"Euroclear"	Euroclear Bank S.A./N.V.
"Exchange Agent"	Deutsche Bank AG, London Branch

"Exchange Offer Memorandum"	The exchange offer memorandum issued by the Issuer dated 19 October 2012
"Executive Directors"	the executive directors of the Guarantor
"FSMA"	the United Kingdom Financial Services and Markets Act 2000
"Group"	the Guarantor and its subsidiary undertakings
"Guarantor"	Premier Oil plc, a public company incorporated in Scotland with limited liability with registered number SC234781
"IFRS"	International Financial Reporting Standards
"ISIN"	the International Securities Identification Number
"Issuer"	Premier Oil Finance (Jersey) Limited
"Issuer Administrator"	State Street Administration Services (UK) Limited of 9 th Floor, 20 Churchill Place, London E14 5HJ
"LIBOR"	the London InterBank Offered Rate of Interest
"Listing Rules"	the listing rules of the UK Listing Authority, made under Section 73A of the FSMA as amended
"LLC"	Limited liability company
"London Stock Exchange"	London Stock Exchange plc
"Non-executive Directors"	the non-executive directors of the Guarantor
"Official List of the UKLA"	the official list maintained by the UK Listing Authority for the purposes of Part VI of the FSMA
"OGDCL"	Oil and Gas Development Company Limited
"Oilexco"	Oilexco North Sea Limited
"Ordinary Shares"	ordinary shares of £0.125 each in the Guarantor
"PKP"	Premier-Kufpec Pakistan B.V.
"PLN"	PT Pelayanan Listrik Nasional Batam
"POEPL"	Premier Oil Exploration and Production Limited

"POGL"	Premier Oil Group Limited
"POHL"	Premier Oil Holdings Limited
"POOBV"	Premier Oil Overseas B.V.
"POUKL"	Premier Oil UK Limited
"POVL"	Premier Oil (Vietnam) Limited
"PSP"	Premier & Shell Pakistan B.V.
"Regulation S"	Regulation S under the Securities Act
"Rockhopper"	Rockhopper Exploration plc
"Securities Act"	the US Securities Act of 1933
"SNGPL"	Sui Northern Gas Pipelines Limited
"SSGCL"	Sui Northern Gas Company Limited
"Third Party"	Any government, government department or governmental, quasi governmental, supranational, statutory, regulatory, environmental or investigative body, court, stock exchange, trade agency, association, institution or any other body or person whatsoever in any jurisdiction
"UBE"	PT Universal Batam Energy
"UKCS"	United Kingdom Continental Shelf
"UK Listing Authority" or "UKLA"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of admission to the Official List otherwise than in accordance with Part VI of the FSMA
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia

Glossary of Technical Terms

The following definitions shall apply to the technical terms used herein:

"2C"	best estimate
"2D"	two dimensional
"2P"	proven and probable
"APA"	Awards in Pre-defined Areas in respect of Norwegian licensing rules
"BOEPD"	barrels of oil equivalent per day
"BBL"	per barrel
"BOPD"	barrels of oil per day
"BcF"	billion cubic feet
"BBTud"	Billion British thermal units per day
"carried"	one party agrees to pay another party's costs on a project in return for earning an equity interest in that project
"farm-in"	acquisition of an interest in a property
"farm-out"	dilution of an interest in a property in order to advance a project
"FPSO"	Floating Production, Storage and Offloading Vessel
"GSA"	Gas Sales Agreement
"GSPA"	Gas Sales and Purchase Agreement
"HSFO"	high sulphur fuel oil
"HSES"	Health, Safety, Environment and Security
"KBOEPD"	Thousand barrels of oil equivalent per day
"MBD"	Thousand barrels per day
"MMBBLs"	million barrels
"MMBOE"	million barrels of oil equivalent
"MMBO"	million barrels of oil

"MMBtu"	Million British thermal units per day
"MMCFD"	Million cubic feet per day
"MMSCFD"	Million standard cubic feet per day
"MT"	Metric tonne
"operated interest"	an equity interest in a licence held via a joint venture in which the Group is the nominated operator of the licence
"play"	recognised prospective trend of potential prospects, but which requires more data acquisition and/or evaluation to define specific leads or prospects
"PSC"	production sharing contract
"shows"	evidence of hydrocarbons at a well location in low quantities
"spud"	to begin drilling
"TBtu"	trillion British thermal units
"TcF"	trillion cubic feet
"tied back"	the connection of a well to the relevant processing facilities

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