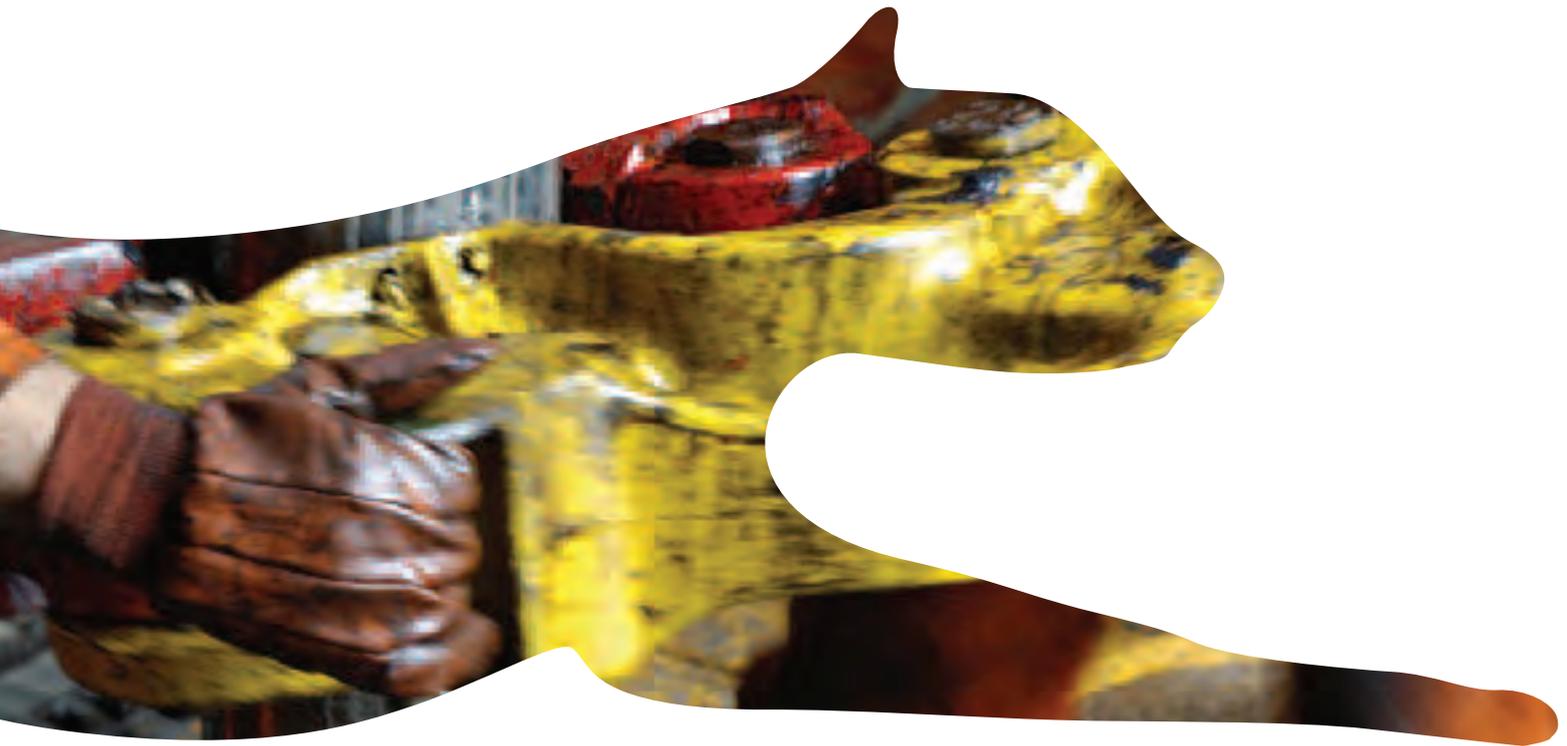


LEKOIL



# Admission Document

Admission to AIM by Strand Hanson Limited, Mirabaud Securities LLP and Revere Securities Corp.

STRAND  
HANSON

MIRABAUD 1819

REVERE SECURITIES CORP



**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to what action you should take, you should seek your own personal advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser who specialises in advising on the acquisition of shares and other securities and is authorised under the Financial Services and Markets Act 2000 (as amended) (“FSMA”) if you are resident in the UK, or, if you are not resident in the UK, from another authorised independent adviser.**

This document does not comprise a prospectus within the meaning of section 85 of FSMA and does not constitute an offer of transferable securities to the public in the United Kingdom, within the meaning of section 102B of FSMA and has not been approved or examined by and will not be filed with the United Kingdom Financial Conduct Authority, London Stock Exchange plc (the “**London Stock Exchange**”) or the United Kingdom Listing Authority (“**UKLA**”), but comprises an admission document in relation to AIM, a market operated by the London Stock Exchange (“**AIM**”). It has been drawn up in accordance with the AIM Rules (as defined below) and has been issued in connection with the proposed admission to trading of the Enlarged Share Capital (as defined below) on AIM (“**Admission**”).

Lekoil Limited (the “**Company**”) and its directors (together, the “**Directors**”), whose names appear on page 19 of this document, accept responsibility, collectively and individually, for the information contained in this document and for compliance with the AIM Rules for Companies (the “**AIM Rules**”). To the best of the knowledge and belief of the Company and the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. To the extent that information has been sourced from a third party, this information has been accurately reproduced and, as far as the Directors are aware, no facts have been omitted which may render the reproduced information inaccurate or misleading. In connection with this document, no person is authorised to give any information or make any representation other than as set out in this document.

In accordance with the AIM Rules, application will be made for Admission of the whole of the Company’s issued ordinary shares (the “**Existing Ordinary Shares**”) and certain of the Company’s new ordinary shares being placed (the “**Placing Shares**”) (together the “**Enlarged Share Capital**”). Application will be made for any Over-Allotment Shares (as defined in this document) issued on the exercise of the Over-Allotment Option (as defined in this document) to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Enlarged Share Capital will commence on AIM on 17 May 2013. The Enlarged Share Capital is not dealt in on any market other than, from Admission, AIM and, apart from the application for Admission, no application has been or is intended to be made for the Enlarged Share Capital to be admitted to trading on any such other market.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UKLA (the “Official List”) and the AIM Rules are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Enlarged Share Capital to trading on the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.**

Each AIM company is required pursuant to the AIM Rules to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

**THE WHOLE OF THE TEXT OF THIS DOCUMENT SHOULD BE READ AND IN PARTICULAR YOUR ATTENTION IS DRAWN TO THE SECTION ENTITLED “RISK FACTORS” SET OUT IN PART 2 OF THIS DOCUMENT THAT DESCRIBES CERTAIN RISKS ASSOCIATED WITH AN INVESTMENT IN THE COMPANY.**

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## LEKOIL LIMITED

*(Incorporated and registered in the Cayman Islands with company number WK-248859)*

**Placing of 80,000,000 new Ordinary Shares at 40 pence per share**

**and**

**Application for admission of the Enlarged Share Capital to trading on AIM**



*Financial and Nominated Adviser*

**Strand Hanson Limited**



*Broker*

**Mirabaud Securities LLP**



*U.S. Placing Agent*

**Revere Securities Corp.**

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The Placing is conditional on, *inter alia*, Admission taking place on or before 17 May 2013 (or such later date as the Company, Strand Hanson Limited (“**Strand Hanson**”) and Mirabaud Securities LLP (“**Mirabaud**”) may agree, but in any event not later than 31 May 2013). The Placing Shares will, on Admission, rank in full for all dividends or other distributions hereafter declared, made or paid on the Enlarged Share Capital and will rank *pari passu* in all other respects with the Existing Ordinary Shares.

Strand Hanson, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as financial and nominated adviser to the Company in connection with the Placing and the proposed admission of the Enlarged Share Capital to trading on AIM. Its responsibility as the Company’s nominated adviser under the AIM Rules for Nominated Advisers is owed solely to the London Stock Exchange and is not owed to the Company or to any Director or to any other person in respect of their decision to acquire shares in the Company in reliance on any part of this document. Strand Hanson is acting exclusively for the Company and for no one else and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the contents of this document or the Placing or the proposed admission of the Enlarged Share Capital to trading on AIM.

Mirabaud, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as broker to the Company in connection with the Placing and the proposed admission of the Enlarged Share Capital to trading on AIM. Mirabaud is acting exclusively for the Company and for no one else and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the contents of this document or the Placing or the proposed admission of the Enlarged Share Capital to trading on AIM.

Revere Securities Corp. (“**Revere**”) a broker-dealer registered with and regulated by the U.S. Securities and Exchange Commission (the “**SEC**”) and the U.S. Financial Industry Regulatory Authority (“**FINRA**”), is acting as placement agent in the United States for the Placing Shares. Revere (i) was not requested to (and did not) verify or confirm any statement contained in the document relating to the past or future financial performance, financials, operations or activities of the Company or its affiliates, the Company’s products or any market information; (ii) did not conduct any investigation with respect to such information; and (iii) cannot guarantee the accuracy of such information.

Neither Strand Hanson nor Mirabaud have authorised the contents of this document and no representation or warranty, express or implied, is made by either Strand Hanson or Mirabaud as to the accuracy or contents of this document or the opinions contained therein, without limiting the statutory rights of any person to whom this document is issued. The information contained in this document is not intended to inform or be relied upon by any subsequent purchasers of any ordinary shares in the capital of the Company (“**Ordinary Shares**”) (whether on or off exchange) and accordingly no duty of care is accepted by Strand Hanson or Mirabaud in relation to them. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised. The delivery of this document will not, under any circumstances, be deemed to create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct at any time subsequent to its date.

No legal, business, tax or other advice is provided in this document. Prospective investors should consult their professional advisers as needed on the potential consequences of subscribing for, purchasing, holding or selling Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence.

This document does not constitute an offer to sell, or a solicitation to buy, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any such distribution could result in a violation of the laws of such jurisdictions. In particular this document is not for distribution into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan, or any other jurisdiction where to do so would be in breach of any applicable laws and/or regulations (and, in particular, this document is not for distribution directly or indirectly to any US Person that is not an accredited investor within the meaning of Regulation D (as defined below)). The Ordinary Shares have not been, nor will they be, registered under the securities legislation of the United States of America, any province or territory of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. Accordingly, the Ordinary Shares may not, subject to certain exemptions, be offered, sold, re-sold, renounced, taken up or delivered, directly or indirectly, into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan, or to any national, citizen or resident of the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. No action has been taken by the Company, the holders of Ordinary Shares, or by Strand Hanson or Mirabaud that would permit a public offer of Ordinary Shares or possession or distribution of this document where action for that purpose is required. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Copies of this document will be available free of charge during normal business hours on weekdays (excluding Saturdays, Sundays and public holidays) from the date hereof until one month after Admission from the offices of Strand Hanson Limited, 26 Mount Row, London W1K 3SQ and from the Company’s website: [www.lekoil.com](http://www.lekoil.com)

#### **United States securities laws**

**The Ordinary Shares are being offered and sold outside the United States to persons who are not U.S. Persons in transactions complying with Regulation S, which provides an exemption from the requirement to register the offer and sale under the Securities Act. In certain limited cases, the Ordinary Shares may be offered and sold in the United States, but only in private placements to persons who are “accredited investors” (within the meaning of Regulation D under the Securities Act) in transactions complying with Rule 506 of Regulation D, which provides an exemption from the requirement to register the offer and sale under the Securities Act. The Ordinary Shares will be subject to restrictions on transfer.**

**THE ORDINARY SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR BY ANY US STATE SECURITIES COMMISSION OR AUTHORITY, NOR HAS ANY SUCH US AUTHORITY PASSED ON THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE. THE ORDINARY SHARES HAVE NOT BEEN (AND WILL NOT BE) REGISTERED UNDER THE SECURITIES ACT OR SECURITIES LAWS OF ANY US STATE OR JURISDICTION AND WILL NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH OTHER APPLICABLE LAWS.**

**Each purchaser purchasing the Placing Shares in a Regulation D private placement will be required to execute and deliver a Regulation D investor representation letter to the Company containing representations and warranties such as the representation and warranty that such purchaser is an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act.**

#### **Forward-looking statements**

This document contains forward looking statements relating to the Company’s future prospects, developments and strategies, which have been made after due and careful enquiry and are based on the Directors’ current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Forward-looking statements are identified by the use of terms and phrases such as “believe”, “could”, “envisage”, “estimate”, “intend”, “may”, “plan”, “will” or the negative of those, variations or comparable expressions, including references to assumptions. These forward-looking statements are subject to, *inter alia*, the risk factors described in Part 2 of this document. The Directors believe that the expectations reflected in these statements are reasonable, but may be affected by a number of variables which could cause actual results or trends to differ materially. Each forward-looking statement speaks only as of the date of the particular statement.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	13 May 2013
Admission becomes effective and dealings in the Enlarged Share Capital expected to commence on AIM	17 May 2013
Expected date for CREST accounts to be credited with Depository Interests (where applicable)	17 May 2013
Expected date for despatch of definitive share certificates (where applicable)	by 20 May 2013

*Each of the times and dates in the above timetable is subject to change without further notice. All references are to London time unless otherwise stated. Temporary documents of title will not be issued.*

## PLACING STATISTICS

Placing Price per Placing Share	40 pence
Number of Existing Ordinary Shares	102,524,233
Number of Placing Shares to be issued pursuant to the Placing	80,000,000
Number of Fee Shares	250,000
Number of Ordinary Shares subject to the Over-Allotment Option	12,000,000
Enlarged Share Capital at Admission	182,774,233 <sup>(1)</sup>
Percentage of the Enlarged Share Capital represented by the Placing Shares at Admission	43.77 per cent.
Percentage of the Enlarged Share Capital held by the Directors at Admission	28.10 per cent.
Percentage of the Enlarged Share Capital represented by Options and Warrants outstanding at Admission	7.56 per cent.
Estimated gross proceeds of the Placing	US\$49.1 million <sup>(1)</sup>
Estimated net proceeds of the Placing receivable by the Company	US\$41.2 million <sup>(1)</sup>
Estimated Market capitalisation of the Company at the Placing Price on Admission	£73.0 million <sup>(1)</sup>
AIM symbol	LEK
ISIN	KYG5462G1073
SEDOL	B9FFQF9
CUSIP	G5462G107

(1) Assuming no exercise of the Over-Allotment Option

## EXCHANGE RATES

For reference purposes only, the following exchange rates were prevailing on 10 May 2013 (being the latest practicable day prior to the publication of this document):

£0.6513 per \$1

NGN 157.6 per \$1

€0.7709 per \$1

Namibian\$9.1121 per \$1

All amounts in Parts 1 and 6 of this document expressed in the above currencies have, unless otherwise stated, been calculated using the above exchange rates.

## DEFINITIONS

The following definitions apply throughout this document, unless otherwise stated or the context requires otherwise:

<b>“2514 Petroleum Agreement”</b>	the petroleum agreement between Lekoil Namibia, the Namibian Government, Hallie and NAMCOR dated 30 April 2012 relating to Blocks 2514 A & B in Namibia;
<b>“Act”</b>	the Companies Act 2006 of the UK, as amended from time to time;
<b>“Acceleration Notice”</b>	has the meaning set out in Part 2 of this document;
<b>“Admission”</b>	admission of the Enlarged Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules for Companies;
<b>“Afren”</b>	Afren Investments Oil and Gas (Nigeria) Limited, a subsidiary of Afren PLC;
<b>“Afren PLC”</b>	Afren PLC, an oil and gas company listed in the Main Market of the London Stock Exchange whose registered number is 05304498 and whose registered office is at Kinnaird House, 1 Pall Mall East, London SW1Y 5AU;
<b>“Afren Facility Agreement”</b>	the English law facility agreement entered into between Afren PLC as lender, Mayfair as borrower and the Company as guarantor, details of which are set out in paragraph 13.5(c) of Part 6 of this document;
<b>“Afren Facility”</b>	the US\$15 million facility with Afren PLC as lender and Mayfair as borrower;
<b>“AIM”</b>	the AIM market operated by the London Stock Exchange;
<b>“AIM Rules for Companies” or “AIM Rules”</b>	the London Stock Exchange’s rules and guidance notes contained in its “AIM Rules for Companies” publication relating to companies whose securities are traded on AIM, as amended from time to time;
<b>“AIM Rules for Nominated Advisers”</b>	the London Stock Exchange’s rules contained in its “AIM Rules for Nominated Advisers” publication relating to the nominated advisers of companies whose securities are traded on AIM, as amended from time to time;
<b>“Aje”</b>	the Aje field, lying within OML 113;
<b>“Akinyanmi Past Salary”</b>	has the meaning set out in paragraph 7.2 of Part 6 of this document;
<b>“Amended and Restated Agreements”</b>	the draft agreements to amend the Existing Agreements to give effect to the Farm Out Agreement listed in paragraph 13.1(a) of Part 6 of this document and described in more detail at paragraphs 13.1(d) – (g) of Part 6 of this document;
<b>“Amended and Restated Participation Agreement”</b>	the draft agreement described in paragraph 13.1(g) of Part 6 of this document;
<b>“Amended and Restated TAA”</b>	the draft agreement described in paragraph 13.1(e) of Part 6 of this document;
<b>“Amended and Restated PRSA”</b>	the draft agreement described in paragraph 13.1(d) of Part 6 of this document;

<b>“Articles”</b>	the amended and restated articles of association of the Company in force on Admission;
<b>“Back-In Right”</b>	the right of the Nigerian Government to acquire an interest in a Petroleum Concession pursuant to the Deep Water Block Allocations to Companies (Back-In Rights) Regulations S.I.7 of 2003;
<b>“Beneficiaries”</b>	has the meaning set out in paragraph 20 of Part 1 of this document;
<b>“Board”</b>	the board of directors of the Company from time to time;
<b>“Broker”</b>	the broker to the Company, being Mirabaud;
<b>“Cayman Act”</b>	the Companies Law (2012 Revision) of the Cayman Islands, as amended from time to time;
<b>“certificated” or “in certificated form”</b>	an Ordinary Share which is not in uncertificated form (that is, not in CREST);
<b>“CITA”</b>	Companies Income Tax Act, Cap 21 2004 of the Federal Republic of Nigeria, as amended from time to time;
<b>“Company”</b>	Lekoil Limited, a company incorporated in the Cayman Islands with registered number WK-248859, whose registered office is at c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands;
<b>“Competent Person”</b>	NSAI;
<b>“Corporate Governance Code”</b>	the UK Corporate Governance Code published by the Financial Reporting Council in June 2010, as amended from time to time;
<b>“Cost Recovery”</b>	each and any of the costs recovered (as defined in the PRSA) by Afren and Optimum following production commencement;
<b>“CPR” or “Competent Person’s Report”</b>	NSAI’s technical report on the Group’s Nigerian and Namibian assets, prepared in accordance with the AIM Rules, as set out in Part 5 of this document;
<b>“CREST”</b>	the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear which facilitates the transfer of title to shares in uncertificated form;
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755) including any enactment or subordinate legislation which amends or supersedes those regulations and any applicable rules made under those regulations or any such enactment or subordinate legislation for the time being in force;
<b>“Deed of Assignment”</b>	has the meaning given to it in paragraph 13.1(a)(v) of Part 6 of this document;
<b>“Depositary”</b>	Computershare Investor Services plc with company number 3498808 and registered office at The Pavilions, Bridgewater Road, Bristol BS99 6ZZ;
<b>“Depositary Interests”</b>	uncertificated depositary interests issued by the Registrar and representing Ordinary Shares in the Company pursuant to a deed poll described in paragraph 18 of Part 6 of this document;
<b>“Directors”</b>	the directors of the Company whose names are set out on page 19 of this document;

<b>“DIBPSA”</b>	the Deep Offshore & Inland Basin Production Sharing Contract Act 2004 of the Federal Republic of Nigeria, as amended from time to time;
<b>“DPR”</b>	the Department of Petroleum Resources of the Nigerian Federal Ministry of Petroleum Resources;
<b>“DTRs” or “Disclosure and Transparency Rules”</b>	the Disclosure and Transparency Rules published by the FCA from time to time;
<b>“EBT”</b>	the Employee Benefit Trust, the trustee of which is Genesis Trust & Corporate Services Limited, set up to hold certain Ordinary Shares in the Company on behalf of the Group’s employees and directors;
<b>“Economic Date”</b>	has the meaning given to it in paragraph 13.1(a) of Part 6 of this document;
<b>“Economic Interest”</b>	<p>an entitlement to a proportion of net available production from a Petroleum Concession in return for paying certain costs relating to such Petroleum Concession, where:</p> <ul style="list-style-type: none"> <li>(i) the proportion or value of net available production entitlement may not necessarily correspond with the proportion or value of costs payable;</li> <li>(ii) a party’s Economic Interest may or may not correspond with its Participating Interest; and/or</li> <li>(iii) the holder of an Economic Interest may or may not also hold a Participating Interest in such Petroleum Concession;</li> </ul>
<b>“Enlarged Share Capital”</b>	the 182,774,233 Ordinary Shares in issue on Admission, comprising the Existing Ordinary Shares and the Placing Shares and assuming no exercise of the Over-Allotment Option;
<b>“Escrow Agreement”</b>	the agreement between Afren, Mayfair and JPM to establish the Escrow Account;
<b>“Escrow Account”</b>	the escrow account opened by JPM pursuant to the Escrow Agreement;
<b>“€”</b>	Euros, the lawful currency of the 17 members of the European Union which have entered into an Economic and Monetary Union;
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited, a company incorporated in England and Wales with registered number 2878738, being the operator of CREST;
<b>“Existing Agreements”</b>	means the OPL310 JOA, the Participation Agreement, the Production and Revenue Sharing Agreement and the Technical Assistance Agreement;
<b>“Existing Ordinary Shares”</b>	the 102,524,233 Ordinary Shares in issue prior to Admission as at the date of this document;
<b>“Facility Agreement”</b>	the facility agreement between the Company and Mayfair dated 13 May 2013;
<b>“Farm-In Costs”</b>	the amounts payable by Mayfair pursuant to the Farm Out Agreement and the other costs, charges, expenses, liabilities and obligations for which Mayfair is liable from the Economic Date arising from the first exploration well;

<b>“Farm Out Agreement”</b>	the conditional farm out agreement relating to OPL310 (Nigeria) between Afren and Mayfair dated 1 February 2013, details of which are set out in paragraph 13.1 of Part 6 of this document;
<b>“Farm Out Completion”</b>	completion of the Farm Out Agreement;
<b>“FCA”</b>	the Financial Conduct Authority (formerly the Financial Services Authority) of the United Kingdom;
<b>“Fee Shares”</b>	has the meaning given to it in paragraph 13.6(c) of Part 6 of this document;
<b>“FINRA”</b>	U.S. Financial Industry Regulatory Authority;
<b>“FSMA”</b>	the Financial Services and Markets Act 2000 of the UK (as amended), including any regulations made pursuant thereto;
<b>“Funds Condition”</b>	the condition set out in the Farm Out Agreement that requires Mayfair to demonstrate to the reasonable satisfaction of Afren that Mayfair has the financial capability to perform its payment obligations under and in accordance with the Farm Out Agreement before it can exercise its rights and obligations thereunder;
<b>“Group”</b>	the Company together with its subsidiaries as at Admission (which includes Lekoil Nigeria, Mayfair, Lekoil Namibia, Lekoil Management Corp. and Lekoil Corporation);
<b>“Hallie”</b>	Hallie Investments Three Thousand and Forty One (Pty) Ltd;
<b>“IFRS”</b>	International Financial Reporting Standards, as adopted by the European Union;
<b>“IOC”</b>	international oil company;
<b>“ISIN”</b>	International Securities Identification Number, being KYG5462G1073;
<b>“Joint Operating Agreement” or “JOA”</b>	an agreement between parties with an interest in a Petroleum Concession that governs between themselves their respective rights and obligations with respect to their joint operations under such Petroleum Concession;
<b>“JPM”</b>	JPMorgan Chase Bank N.A., London Branch, escrow agent under the Escrow Agreement;
<b>“KPMG”</b>	KPMG Professional Services of KPMG Tower, Bishop Aboyade Cole Street, Victoria Island, Lagos, Nigeria;
<b>“Lekan”</b>	Olalekan Akinyanmi, the chief executive officer of the Company;
<b>“Lekoil Namibia”</b>	Lekoil Exploration and Production (Pty) Ltd, a company incorporated in Namibia with registered number 2011/0523 whose registered office address is 8 Sinclair Street, Windhoek, Namibia;
<b>“Lekoil Nigeria”</b>	Lekoil (Nigeria) Limited, a company incorporated under the laws of the Federal Republic of Nigeria, with registration number RC 920325, whose registered office address is 7th Floor, Mulliner Towers, 39 Alfred Rewane Street, Ikoyi, Lagos, Nigeria;
<b>“Local Content Act”</b>	the Oil and Gas Industry Content Development Act 2010 of the Federal Republic of Nigeria, as amended from time to time;

<b>“Locked In Shareholders”</b>	all of the Directors, Chief Festus Marinho, Dotun Adejuyigbe, Gloria Iroegbunam, Rachel Salas, Bisola Adewakun, Tashi Shiimi-Ya-Shiimu and David Maslen (each being a senior employee or a former senior employee, consultant or director of the Company), and not already listed in another category in this definition);
<b>“London Stock Exchange”</b>	London Stock Exchange plc;
<b>“Mayfair”</b>	Mayfair Assets & Trust Limited, a company incorporated under the laws of the Federal Republic of Nigeria, with registration number RC 939518, whose registered office address is 179A Moshood Olugbani Street, Victoria Island, Lagos, Nigeria and which is wholly owned by Lekoil Nigeria (but for one share in Mayfair);
<b>“Ministerial Consent”</b>	the consent of the Minister of Petroleum Resources in Nigeria;
<b>“Mirabaud”</b>	Mirabaud Securities LLP of 33 Grosvenor Place, London, SW1X 7HY, the Company’s broker;
<b>“NAMCOR”</b>	National Petroleum Corporation of Namibia;
<b>“Namibian Government”</b>	the government of the Republic of Namibia;
<b>“Namibian Minister”</b>	the Minister of Mines and Energy for Namibia;
<b>“Namibian Petroleum Act”</b>	the Petroleum (Exploration and Production) Act 2 of 1991 of the Republic of Namibia, as amended from time to time;
<b>“NGN”</b>	Nigerian Naira, the lawful currency of the Federal Republic of Nigeria from time to time;
<b>“NGSPR”</b>	the National Domestic Gas Supply and Pricing Regulations of the Federal Republic of Nigeria, as amended from time to time;
<b>“Nigerian Government”</b>	the government of the Federal Republic of Nigeria;
<b>“Nigerian Minister”</b>	the Minister of Petroleum Resources in Nigeria;
<b>“Nigerian Petroleum Act”</b>	the Petroleum Act Cap P10 LFN 2004 of the Federal Republic of Nigeria, as amended from time to time;
<b>“Nigerian Shareholders”</b>	has the meaning given to it on page 58;
<b>“NNPC”</b>	Nigerian National Petroleum Corporation;
<b>“NPDC”</b>	Nigerian Petroleum Development Company Limited;
<b>“NSAI”</b>	Netherland Sewell & Associates, Inc, being the Competent Person responsible for the CPR on OPL310 (Nigeria) and Blocks 2514 A & B (Namibia);
<b>“N\$”</b>	Namibian Dollar, the lawful currency of the Republic of Namibia from time to time;
<b>“Official List”</b>	the Official List maintained by the UK Listing Authority pursuant to Part VII of FSMA;
<b>“Oilworld”</b>	Oilworld Limited, a company incorporated under the laws of the Federal Republic of Nigeria;
<b>“OML”</b>	oil mining licence;
<b>“OML 113”</b>	oil mining licence 113 in Nigeria;
<b>“OPL”</b>	oil prospecting licence;
<b>“OPL241”</b>	oil prospecting licence 241 in Nigeria;
<b>“OPL310”</b>	oil prospecting licence 310 in Nigeria;

<b>“OPL310 JOA”</b>	JOA in respect of OPL310;
<b>“Optimum”</b>	Optimum Petroleum Development Limited, a company incorporated under the laws of the Federal Republic of Nigeria with registered number 196684;
<b>“Options”</b>	the outstanding options to purchase Ordinary Shares, details of which are set out in paragraph 9 of Part 6 of this document;
<b>“Ordinary Shares”</b>	the ordinary shares of par value US\$0.00005 each in the capital of the Company;
<b>“Over-Allotment Option”</b>	the option granted by the Company to Mirabaud in connection with the Placing, under which Mirabaud may subscribe itself or, alternatively, nominate potential subscribers for Over-Allotment Shares at the Placing Price;
<b>“Over-Allotment Shares”</b>	up to 12,000,000 new Ordinary Shares which may be issued pursuant to the Over-Allotment Option;
<b>“Panel”</b>	the UK Panel on Takeovers and Mergers;
<b>“Participating Interest”</b>	means a party’s share (expressed as a percentage of the total share of all the parties under a Petroleum Concession) in the rights and obligations under a Petroleum Concession;
<b>“Participation Agreement”</b>	the agreement between Optimum and Afren for the assignment of a 40 per cent. Participating Interest in OPL310 to Afren;
<b>“Paying Interest”</b>	payment obligation in respect of OPL310 with effect from the date the Funds Condition is satisfied;
<b>“PDPR” or “Petroleum Drilling Regulations”</b>	the Petroleum (Drilling and Production) Regulations 1969 of the Federal Republic of Nigeria, as amended from time to time;
<b>“PEL”</b>	petroleum exploration licence in Namibia;
<b>“PEL 0059”</b>	petroleum exploration licence 0059 in relation to Block 2514 in Namibia;
<b>“Petroleum Concession”</b>	any concession licence, production sharing agreement, production sharing concession, risk service contract, petroleum agreement or lease whereby a party or parties are granted rights by a government entity to explore, develop and appraise a designated block and produce any discovered hydrocarbons from the designated block in accordance with its terms;
<b>“PIB”</b>	the Petroleum Industry Bill submitted to the Nigerian National Assembly in July 2012;
<b>“Placee”</b>	an investor to whom Placing Shares are issued pursuant to the Placing;
<b>“Placing”</b>	the conditional placing by Mirabaud of the Placing Shares with institutional and other investors at the Placing Price pursuant to the Placing Agreement (but not including any exercise of the Over-Allotment Option);
<b>“Placing Agreement”</b>	the conditional agreement dated 13 May 2013 between (1) the Company, (2) the Directors, (3) Strand Hanson and (4) Mirabaud, further details of which are set out in paragraph 13.6(a) of Part 6 of this document;
<b>“Placing Price”</b>	40 pence per Placing Share;

<b>“Placing Shares”</b>	80,000,000 new Ordinary Shares to be issued by the Company and subscribed for pursuant to the Placing;
<b>“PPTA”</b>	the Petroleum Profits Tax Act 2004 of the Federal Republic of Nigeria, as amended from time to time;
<b>“Prepayment Agreement”</b>	the definitive prepayment agreement signed by Lekoil Nigeria with Oilworld on 17 October 2011 in relation to OPL241;
<b>“Production and Revenue Sharing Agreement” or “PRSA”</b>	the agreement between Afren and Optimum, dated 19 December 2008, specifying that Afren would assume a 70 per cent. Economic Interest in OPL310;
<b>“Prospectus Directive”</b>	Directive 2003/71/EC and includes any relevant implementing measures in each member state of the European Economic Area that has implemented Directive 2003/71/EC;
<b>“Prospectus Rules”</b>	the rules published by the FCA under FSMA governing the publication of a prospectus, as derived from the Prospectus Directive;
<b>“Registrar”</b>	Computershare Investor Services (Cayman Islands) Ltd;
<b>“Regulation D”</b>	Regulation D promulgated under the Securities Act;
<b>“Regulation D Placing”</b>	the placing in the US or to US Persons of the Placing Shares;
<b>“Regulation D Placing Letter”</b>	the letter from the Company to be signed by each placee that is a US Person or that is in the US, who are procured by the Company to take part in the Regulation D Placing, setting out the terms on which they agree to subscribe for the Regulation D Placing Shares;
<b>“Regulation D Placing Shares”</b>	Placing Shares issued to Placees that are either US Persons or in the US;
<b>“Regulation S”</b>	Regulation S promulgated under the Securities Act;
<b>“Relevant Securities”</b>	shall have the meaning set out in paragraph 12.5.1 of Part 6;
<b>“Revere”</b>	Revere Securities Corp. of 6th Floor, 12 East 52nd Street, New York, NY 10022, Mirabaud’s US placing agent;
<b>“RFSA”</b>	the proposed agreement described on page 23;
<b>“Robinson Past Salary”</b>	has the meaning set out in paragraph 7.3 of Part 6 of this document;
<b>“SEC”</b>	US Securities and Exchange Commission;
<b>“Securities Act”</b>	US Securities Act of 1933, as amended from time to time;
<b>“SEDA”</b>	a standby equity distribution agreement dated 13 May 2013 between the Company and YAGM;
<b>“Share Dealing Code”</b>	the code on dealing in the Company’s securities adopted by the Company that complies with the AIM Rules;
<b>“Shareholders”</b>	holders of Ordinary Shares, from time to time;
<b>“Shareholders Agreement”</b>	the agreement dated 13 May 2013 between the shareholders of Lekoil Nigeria relating to the governance of Lekoil Nigeria, details of which are set out in paragraph 13.4 of Part 6 of this document;

<b>“Significant Shareholder”</b>	a Shareholder holding three per cent. or more of the Ordinary Shares in issue from time to time;
<b>“Pounds Sterling” or “£”</b>	pounds sterling, the lawful currency of the UK;
<b>“Strand Hanson”</b>	Strand Hanson Limited of 26 Mount Row, London, W1K 3SQ, the Company’s financial and nominated adviser;
<b>“subsidiary” or “subsidiary undertaking”</b>	have the meanings given to them in the Act;
<b>“Substantial Shareholder”</b>	a shareholder holding ten per cent. or more of the Ordinary Shares in issue from time to time;
<b>“Takeover Code”</b>	the UK City Code on Takeovers and Mergers, as amended from time to time;
<b>“Tate”</b>	Tate Oil and Gas (Pty) Ltd, a company incorporated under the laws of the Republic of Namibia with registered number 2011/0525 and whose registered office is at 8 Sinclair Street, Windhoek, Namibia;
<b>“TAA” or “Technical Assistance Agreement”</b>	the technical assistance agreement between Afren and Optimum in relation to OPL310;
<b>“Trustee”</b>	has the meaning set out in paragraph 20 of Part 1 of this document;
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>“UKLA” or “UK Listing Authority”</b>	the FCA, acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
<b>“uncertificated” or “in uncertificated form”</b>	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
<b>“United States”, “USA” or “US”</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction;
<b>“United States Person” or “US Person”</b>	bears the meaning ascribed to such term by Regulation S;
<b>“US Dollar”, “US\$” or “\$”</b>	the legal currency of the United States;
<b>“VAT”</b>	valued added tax;
<b>“Warrant Instrument”</b>	the deed poll executed by the Company dated 13 May 2013 constituting the Warrants;
<b>“Warrants”</b>	the 750,000 warrants to be granted on Admission to Strand Hanson to subscribe for in aggregate 750,000 Ordinary Shares pursuant to the Warrant Instrument; and
<b>“YAGM”</b>	YA Global Master SPV, Ltd, an exempted company incorporated in the Cayman Islands with limited liability whose principal office is at 1012 Springfield Avenue, Mountainside, NJ 07092.

A glossary of technical terms and expressions is set out on pages 14 to 18 of this document.

## GLOSSARY OF TECHNICAL TERMS

The following table provides an explanation of certain technical terms and abbreviations used in this document. The terms and their assigned meanings may not correspond to standard industry meanings or usage of these terms.

<b>“2D”</b>	two dimensional;
<b>“3D”</b>	three dimensional;
<b>“2D seismic”</b>	geophysical data that depicts the subsurface strata in two dimensions;
<b>“3D seismic”</b>	geophysical data that depicts the subsurface strata in three dimensions. 3D seismic typically provides a more detailed and accurate interpretation of the subsurface strata than 2D seismic;
<b>“Agege Prospect”</b>	one of the main prospects of OPL310;
<b>“Albian”</b>	a sub-division of the Lower Cretaceous;
<b>“API”</b>	a standard measure of oil density, as defined by the American Petroleum Institute;
<b>“appraisal well”</b>	a well drilled as part of an appraisal drilling programme which is carried out to determine the physical extent, reserves and likely production rate of a field;
<b>“Aptian”</b>	a sub-division of the Lower Cretaceous;
<b>“barrels” or “bbl”</b>	a unit of volume measurement used for petroleum and its products (for a typical crude oil 7.3 barrels = 1 tonne; 6.29 barrels = 1 cubic metre);
<b>“Barremian”</b>	a sub-division of the Lower Cretaceous;
<b>“bcf”</b>	billion standard cubic feet; 1 bcf is approximately equal to 172,414 boe or 23,618 tonnes of oil equivalent;
<b>“Best Estimate”</b>	the middle value in a range of estimates considered to be the most likely. If based on a statistical distribution, can be the mean, median or mode depending on usage;
<b>“block”</b>	an exploration area within an oil and gas field;
<b>“blow-out”</b>	when well pressure exceeds the ability of the wellhead valves to control it. Oil and gas “blow wild” at the surface;
<b>“boe”</b>	barrels of oil equivalent. One barrel of oil is approximately the energy equivalent of 5,800 cf of natural gas;
<b>“boepd”</b>	barrels of oil equivalent per day;
<b>“bopd”</b>	barrels of oil per day;
<b>“Capex”</b>	capital expenditure;
<b>“carried interest”</b>	an arrangement whereby one party (carried party) does not receive any production revenue applicable to its Participating Interest under a Petroleum Concession until a certain amount of money (capital expenditure) has been recovered by the other party (carrying party).

	The carrying party pays costs applicable to the carried party's Participating Interest under a Petroleum Concession and is reimbursed out of the production revenue applicable to the carried party's Participating Interest;
<b>“Cenomanian”</b>	a sub-division of the Upper Cretaceous;
<b>“Cenozoic”</b>	geological strata formed during the period 65 million years before the present to the present day;
<b>“Chance of Success”</b>	the estimated chance, or probability, of making an oil and gas discovery in an exploration well;
<b>“commercial discovery”</b>	discovery of hydrocarbons which the holder(s) of the oil and gas asset determines to be commercially viable for appraisal and development;
<b>“condensate”</b>	light hydrocarbon compounds that condense into liquid at surface temperatures and pressures. They are generally produced with natural gas and are a mixture of pentane and higher hydrocarbons;
<b>“Contingent Resources”</b>	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies;
<b>“Cretaceous”</b>	geological strata formed during the period 140 million to 65 million years before the present;
<b>“crude oil”</b>	hydrocarbons that at atmospheric temperature and pressure are in a liquid state, including crude mineral oil, asphalt and ozokerites, and liquid hydrocarbons that are obtained by separation treatment, processing or extraction;
<b>“dip”</b>	the inclination of a horizontal structure from the horizontal;
<b>“discovery”</b>	an exploration well which has encountered hydrocarbons for the first time in a structure;
<b>“drilling rig”</b>	a drilling unit that, if offshore, can be located on a drillship, a semi-submersible, a jack-up or a fixed platform;
<b>“E&amp;A”</b>	exploration and appraisal;
<b>“E&amp;P”</b>	exploration and production;
<b>“Eko Prospect”</b>	one of the main prospects of OPL310;
<b>“exploration well”</b>	a well drilled to find hydrocarbons in an unproved area or to extend significantly a known oil or natural gas reservoir;
<b>“fallow assets”</b>	assets that fall below the materiality and economic thresholds of the major oil and gas producers;
<b>“farm-in”</b>	when a company acquires from another party, all or part of an interest in a block in exchange for fulfilling certain work obligations or financial commitments relating to the block;
<b>“farm-out”</b>	when a company transfers to another party all or part of its interest in a block in exchange for that other party fulfilling certain work obligations or financial commitments relating to the block;

<b>“fault” or “faulting”</b>	a displacement (vertical, inclined or lateral) below the earth’s surface that acts to offset rock layers relative to one another. Faulting can create traps for hydrocarbons;
<b>“field”</b>	an area consisting of either a single reservoir or multiple reservoirs, all grouped on or related to the same individual geological structural feature and/or stratigraphic condition;
<b>“formation”</b>	a layer or unit of rock. A productive formation in the context of reservoir rock;
<b>“Gas-In-Place”</b>	the volume of gas in a reservoir at any given time calculated at standard temperature and pressure conditions, that includes both recoverable and non-recoverable gas;
<b>“geophysical”</b>	measurement of the earth’s physical properties to explore and delineate hydrocarbons by means of electrical, seismic, gravity and magnetic methods;
<b>“gross resources”</b>	the total estimated petroleum that is potentially recoverable from a field or prospect;
<b>“High Case”</b>	the upside, or larger volumetric scenario considered in the analysis of an exploration prospect;
<b>“hydrocarbon”</b>	a compound containing only the elements hydrogen and carbon. May exist as a solid, a liquid or a gas. The term is mainly used in a catch-all sense for oil, gas and condensate;
<b>“kboe”</b>	thousands of barrels of oil equivalent;
<b>“km”</b>	kilometre;
<b>“km<sup>2</sup>”</b>	square kilometres;
<b>“lead”</b>	a conceptual exploration idea usually based on minimal data but with sufficient support from geological analogues and the like to encourage further data acquisition and/or study on the basis that hydrocarbon accumulations of unknown size may be found in the future;
<b>“Lower Albian”</b>	a sub division of the Albian;
<b>“Lower Cenomanian”</b>	a sub division of the Cenomanian;
<b>“Lower Cretaceous”</b>	a sub division of the Cretaceous;
<b>“m”</b>	metres;
<b>“mcf”</b>	thousand standard cubic feet;
<b>“mmbbl”</b>	millions of barrels of oil;
<b>“mmboe”</b>	millions of barrels of oil equivalent;
<b>“natural gas”</b>	hydrocarbons that at a standard temperature of sixty degrees Fahrenheit (60°F) and a standard pressure of one atmosphere are in a gaseous state, including wet mineral gas and dry mineral gas, casing head gas, residual gas remaining after separation treatment, processing, or extraction of liquid hydrocarbons;

<b>“non-recoverable”</b>	a description of hydrocarbon reserves that identifies them as technically or economically non-feasible to extract;
<b>“Ogo Prospect”</b>	one of the smaller prospects of OPL310;
<b>“oil equivalent”</b>	international standard for comparing the thermal energy of different fuels;
<b>“Oil-In-Place”</b>	total hydrocarbon content of an oil reservoir;
<b>“OOIP”</b>	original oil-in-place;
<b>“Operator”</b>	means the entity appointed under a JOA to conduct all the JOA parties’ joint petroleum operations;
<b>“Opex”</b>	operating expenditure;
<b>“overriding royalty”</b>	a royalty paid to the original OML holder by the marginal field adviser in recognition of the OML holder’s role in developing the concession, as part of a farm out agreement;
<b>“petroleum”</b>	a generic name for hydrocarbons, including crude oil, natural gas liquids, natural gas and their products;
<b>“permeability”</b>	a measure of the ability of a material (such as rocks) to transmit fluids;
<b>“pinch-out”</b>	to taper to a zero edge;
<b>“play”</b>	a project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects;
<b>“porosity”</b>	the percentage of void in a porous rock compared to the solid formation;
<b>“prospect”</b>	a project associated with a potential accumulation of oil or natural gas that is sufficiently well defined to represent a viable drilling target;
<b>“prospective resources”</b>	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects;
<b>“Quaternary”</b>	geological strata formed during the period 2.5 million years before the present day;
<b>“recoverable”</b>	a description of hydrocarbon reserves that identifies them as technically or economically feasible to extract;
<b>“reserves”</b>	those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions;
<b>“reservoir”</b>	a subsurface body of rock having sufficient porosity and permeability to store and transmit fluids. A reservoir is a critical component of a complete petroleum system;
<b>“resources”</b>	deposits of naturally occurring hydrocarbons which, if recoverable, include those volumes of hydrocarbons either yet to be found (prospective) or if found the development of which depends upon a

	number of factors (technical, legal and/or commercial) being resolved (contingent);
<b>“scf”</b>	standard cubic feet;
<b>“seal”</b>	a relatively impermeable rock, commonly shale, anhydrite or salt, that forms a barrier or cap above and around reservoir rock such that fluids cannot migrate beyond the reservoir. A seal is a critical component of a complete petroleum system;
<b>“seismic survey”</b>	a method by which an image of the earth’s subsurface is created through the generation of shockwaves and analysis of their reflection from rock strata. Such surveys can be done in two or three dimensional form;
<b>“stratigraphic”</b>	a mode of trapping hydrocarbons which is not dependent on structural entrapment;
<b>“synrift”</b>	sediments deposited during a period of tectonic rifting;
<b>“tcf”</b>	trillion standard cubic feet;
<b>“Tertiary”</b>	geological strata formed during the period from 65 million to 1.8 million years before the present;
<b>“Turonian”</b>	a sub-division of the Upper Cretaceous;
<b>“TVDSS”</b>	true vertical depth sub-sea;
<b>“up-dip”</b>	up the plane of the dip;
<b>“Upper Cenomanian”</b>	a sub-division of the Upper Cretaceous;
<b>“Upper Cretaceous”</b>	a sub-division of the Cretaceous; and
<b>“zero flaring”</b>	the reduction or elimination of routine process gas flaring while still providing a safe and reliable system capable of handling non routine or emergency relief events.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors:</b>	Samuel Akinbamijo Adegboyega ( <i>Non-Executive Chairman</i> ) Olalekan Akinsoga Akinyanmi ( <i>Chief Executive Officer</i> ) David Grant Robinson ( <i>Finance Director</i> ) Gregory Douglas Eckersley ( <i>Non-Executive Director</i> ) Atedo Nari Atowari Peterside ( <i>Non-Executive Director</i> ) Aisha Muhammed-Oyebode ( <i>Non-Executive Director</i> ) John Alexander van der Welle ( <i>Non-Executive Director</i> )
<b>Registered office:</b>	Intertrust Corporate Services (Cayman) Limited 190 Elgin Avenue George Town Grand Cayman KY1-9005 Cayman Islands
<b>Principal place of business and business address of the Directors:</b>	179A Moshood Olugbani Street Victoria Island Lagos Nigeria Website: <a href="http://www.lekoil.com">www.lekoil.com</a>
<b>Financial and Nominated Adviser:</b>	Strand Hanson Limited 26 Mount Row London W1K 3SQ United Kingdom
<b>Broker:</b>	Mirabaud Securities LLP 33 Grosvenor Place London SW1X 7HY United Kingdom
<b>US Placing Agent:</b>	Revere Securities Corp. 12 East 52 <sup>nd</sup> Street 6 <sup>th</sup> Floor New York NY 10022 United States
<b>Solicitors to the Company as to English law:</b>	Dentons UKMEA LLP 1 Fleet Place London EC4M 7WS United Kingdom
<b>Solicitors to the Company as to Nigerian law:</b>	Banwo & Ighodalo 98 Awolowo Road Southwest Ikoyi Lagos Nigeria
<b>Solicitors to the Company as to Namibian law:</b>	Ellis Shilengudwa Inc 24 Orban Street PO Box 3300 Windhoek Namibia

<b>Solicitors to the Company as to Cayman law:</b>	Walkers 190 Elgin Avenue George Town Grand Cayman KY1-9001 Cayman Islands
<b>Solicitors to the Company as to US law:</b>	Dentons US LLP 1221 Avenue of the Americas New York 10020-1089 United States
<b>Solicitors to the Nominated Adviser and Broker:</b>	Field Fisher Waterhouse LLP 35 Vine Street London EC3N 2AA United Kingdom
<b>Auditors to the Company:</b>	KPMG Professional Services KPMG Tower Bishop Aboyade Cole Street Victoria Island Lagos Nigeria
<b>Reporting Accountants to the Company:</b>	BDO LLP 55 Baker Street London W1U 7EU United Kingdom
<b>Competent Person:</b>	Netherland, Sewell & Associates, Inc 4500 Thanksgiving Tower 1601 Elm Street Suite 4500 Dallas Texas 75201 USA
<b>Financial PR:</b>	Tavistock Communications Limited 131 Finsbury Pavement London EC2A 1NT United Kingdom
<b>Registrars:</b>	Computershare Investor Services (Cayman Islands) Ltd The R & H Trust Co Ltd Winward1 Regatta Office Park West Bay Road Grand Cayman KY1-1103 Cayman Islands
<b>Depositary:</b>	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ United Kingdom

# PART 1

## INFORMATION ON THE GROUP

### 1. Introduction

The Company is an exempted limited liability company incorporated in the Cayman Islands on 3 December 2010. The Company acts as a holding company for the Group that intends to use its access to potential oil and gas licence interests and its experienced management team to build a multi-asset exploration, development and production business in Africa. The Company's principal subsidiary, Lekoil Nigeria, was incorporated on 5 November 2010. The Group's subsidiary, Lekoil Namibia, which has interests in Namibia, was incorporated in August 2011. In addition, the Group has further subsidiary companies in Benin and the USA. The Group's African operations are co-ordinated from its offices in Lagos (Nigeria) and supported by a further office in Princeton (USA).

Lekoil Nigeria's subsidiary, Mayfair, has entered into the Farm Out Agreement with Afren to acquire an overall 30 per cent. Economic Interest, including a 17.14 per cent. Participating Interest, in OPL310, an offshore Nigerian asset located in the Dahomey-Benin Basin. Further details on the Farm Out Agreement are set out elsewhere in this paragraph and in paragraph 13.1(a) of Part 6 of this document. OPL310 represents an early stage asset with significant potential and strong partners. The Company is entitled to 90 per cent. of the income and capital distributed by Lekoil Nigeria, equating to an indirect 15.43 per cent. Participating Interest and an indirect 27 per cent. Economic Interest in OPL310. Unrisked net recoverable prospective resources attributable to the Company have been estimated by NSAI at c.128.5 mmboe, with production estimated to commence, assuming positive drilling results, in late 2015 at the earliest.

In addition, the Company is via its Namibian subsidiary, Lekoil Namibia, the operator of two Namibian offshore exploration blocks, located in the prospective Luderitz Basin, through Lekoil Namibia's 77.5 per cent. Participating Interest (and Economic Interest) in Blocks 2514 A & B. Further details on the 2514 Petroleum Agreement relating to these blocks are set out in paragraph 13.3(d) of Part 6 of this document. Subject to available funding, Lekoil Namibia intends to acquire 2D Seismic data in 2014 as a first step towards defining drillable exploration prospects in these blocks. The Company is entitled to 90 per cent. of the income and capital distributed by Lekoil Namibia, equating to an indirect 69.75 per cent. Participating Interest and Economic Interest in Blocks 2514 A & B.

### *Board and management*

The Board and the Group's management team bring together significant technical experience, from within the global, Nigerian and wider African oil and gas industry and also from the global financial community. This provides a platform for technical excellence supported by access to capital which, when aligned with the depth of its Nigerian and African governmental connections and relationships with major IOCs, leaves the Group well positioned to identify, acquire and exploit opportunities that exist both in Nigeria, and, more widely, across Africa.

The Group's management team is headed by its Chief Executive and founding director, Olalekan ("Lekan") Akinyanmi, a native Nigerian who has spent much of his career in the US, and whose experience to date includes working in the oil industry in Nigeria, Scotland, the Sultanate of Oman, Pakistan and Egypt. He is supported by the Finance Director, David Robinson, who has spent the majority of his career involved in global energy equities at AllianceBernstein L.P., HSBC Securities, Credit Suisse First Boston and Westpac Investment Management. The non-executive Board members also have diverse experience, drawn from financial, technical, industry and public company backgrounds.

### *Placing and Admission*

Lekoil is proposing to raise approximately £32.0 million (US\$49.1 million) (before expenses) by the issue of 80,000,000 new Ordinary Shares at the Placing Price representing approximately 43.77 per cent. of the Enlarged Share Capital. It is intended that the net proceeds of the Placing will principally be utilised to provide Mayfair with the required capital to satisfy the Funds Condition and towards its payment obligations

under the Farm Out Agreement with regards to the conditional purchase of an ultimate 30 per cent. Economic Interest (and including a 17.14 per cent. Participating Interest in OPL310).

### ***SEDA***

On 13 May 2013, the Company entered into the SEDA with YAGM. Pursuant to the SEDA and conditional upon Admission, up to the Sterling equivalent of US\$35 million of additional equity investment, through the issue of Ordinary Shares, will be made available to the Company over a three-year period (subject to the satisfaction of certain conditions). A summary of the SEDA is set out in paragraph 13.5(d) of Part 6 of this document. The purchase price for the Ordinary Shares to be issued to YAGM pursuant to the SEDA is at a five per cent. discount to the then market price.

### ***Lekoil Nigeria***

The Company's shareholding in Lekoil Nigeria is limited to 40 per cent. This enables Lekoil Nigeria to satisfy the provisions of the Nigerian Government's indigenisation legislation allowing it to benefit from, *inter alia*, preferential treatment in the award of further licences and increased access to assets. The remaining 60 per cent. is split between three other shareholders, Lekan (33.33 per cent.), an employee benefit trust (20.66 per cent.) and a Directors' share trust (6 per cent.).

The shareholders in Lekoil Nigeria have agreed by way of the Shareholders Agreement that the Company has the right to receive 90 per cent. of any dividend declared, or of any capital returned to members by Lekoil Nigeria. The Shareholders Agreement also gives the Company certain contractual controls over Lekoil Nigeria. These include a right to appoint three directors to the board of Lekoil Nigeria, and defined board reserved matters and shareholder reserved matters.

To pass a board reserved matter, it shall be necessary for 70 per cent. of the directors of Lekoil Nigeria present and voting at the meeting to vote in favour of a particular resolution. To pass a shareholder reserved matter, it shall be necessary for 75 per cent. of shareholders of Lekoil Nigeria present and voting at the relevant meeting to vote in favour of a particular resolution. These numbers would ordinarily include the Company's directors (in the case of a board reserved matter) or the Company itself (in the case of a shareholder reserved matter). However, the Shareholders Agreement does not explicitly require that the directors of Lekoil Nigeria appointed by the Company or the Company as shareholder (as the case may be) need always form part of those voting in favour of such a board or shareholder resolution.

The Shareholders Agreement provides that future funding by the Company to Lekoil Nigeria shall be by way of debt funding on arms' length, interest bearing terms. The Facility Agreement sets out the principal terms by which certain of the funds raised as a result of Admission will be lent to Mayfair towards the satisfaction of the Funds Condition under the Farm Out Agreement. The Facility Agreement will be supported by security granted by Mayfair and Lekoil Nigeria in favour of the Company.

The Shareholders Agreement, the Facility Agreement and the associated security package are more particularly described in paragraphs 13.4 and 13.5 of Part 6 of this document. As a result of the Shareholders Agreement, the Facility Agreement and the associated security package, the Company will be able to exert a greater degree of control over the operations and affairs of Lekoil Nigeria than would be typically expected for a 40 per cent. shareholder.

### ***OPL310, Nigeria***

Afren signed a farm out agreement to acquire a 40 per cent. Participating Interest in an offshore oil prospecting licence in Nigeria known as OPL310 from Optimum on 16 January 2009, and such transfer received ministerial consent on 26 May 2009. In addition, Afren agreed with Optimum in the PRSA dated 19 December 2008 that Afren would assume a 70 per cent. Economic Interest in OPL310.

Optimum is the operator of OPL310. However, Afren provides technical assistance to Optimum in respect of its obligations under a Technical Assistance Agreement.

Mayfair, in which Lekoil Nigeria holds all but one share, executed the Farm Out Agreement with Afren on 1 February 2013 in respect of OPL310, pursuant to which Mayfair intends to acquire a 17.14 per cent. Participating Interest in OPL310, the transfer of which to Mayfair is subject to Ministerial Consent.

In addition to the proposed assignment of the 17.14 per cent. Participating Interest, it was agreed pursuant to the Farm Out Agreement that Mayfair would be entitled to a larger share of the Economic Interest in OPL310 than a 17.14 per cent. Participating Interest would suggest. The Farm Out Agreement therefore provides that on satisfaction of the Funds Condition, Mayfair will be entitled to receive its Economic Interest in OPL310 (whether or not Ministerial Consent has been obtained regarding transfer of the Participating Interest), which will be a 30 per cent. Economic Interest once production has commenced and each of Afren and Optimum has completed its Cost Recovery.

Pursuant to its Economic Interest, Mayfair will assume certain Capex and Opex Paying Interests in respect of OPL310 once Afren has obtained the approval of the operating committee under the JOA to the first exploration well.

Although the Group believes that Ministerial Consent to the transfer of the Participating Interest will be granted, there can be no guarantee it will be forthcoming. If it is not granted within nine months from the Economic Date, the Farm Out Agreement provides that the parties shall execute a risk and financial sharing agreement (“RFSA”) which will provide that in the event that Ministerial Consent is not granted by that time, Afren will nevertheless grant Mayfair further contractual rights to support Mayfair’s 30 per cent. Economic Interest.

Following Farm Out Completion and once certain of Optimum’s and Afren’s Cost Recoveries are complete, the Participating Interests and Economic Interests held by each party in OPL310 will be as follows:

<i>Party</i>	<i>Participating Interest</i>	<i>Economic Interest</i>
Optimum	60.00%	30%
Afren	22.86%	40%
Mayfair	17.14%	30%

As the Company is entitled to 90 per cent. of the dividends and capital distribution of Lekoil Nigeria, which owns Mayfair, the Company’s interest in OPL310 will ultimately equate to an indirect 27 per cent. Economic Interest (including an indirect 15.43 per cent. Participating Interest).

A detailed description of the various Capex and Opex Paying Interests, Cost Recovery triggers and shares of net available production (set out in the Farm Out Agreement) can be found in paragraph 13.1 of Part 6 of this document.

Mayfair is currently in negotiations to become a party to the Amended and Restated Agreements that govern the relationship between the OPL310 partners, with effect from the time when it obtains its Participating Interest in OPL310.

The initial exploration well, the Ogo-1 well, was spudded on 23 April 2013. The well will test a four-way dip-closed structure in the Turonian to Albion sandstone reservoirs using the GSF Transocean Monitor rig.

#### ***Escrow Agreement***

The Company has entered into the Escrow Agreement with Afren and JPM. Pursuant to the Escrow Agreement, Mayfair will, within two business days of Admission and receipt by the Company of the settlement proceeds, instruct Mirabaud to place the sum of US\$35 million into the Escrow Account. This sum will be applied towards satisfaction of certain of Mayfair’s financial obligations pursuant to the Farm Out Agreement. The funds standing to the credit of the Escrow Account may only be released to Afren by JPM at the written joint request of Afren and Mayfair. A full summary of the Escrow Agreement is set out in paragraph 13.1(b) of Part 6 of this document.

### ***Afren Facility Agreement***

Mayfair has entered into the Afren Facility Agreement under which Afren PLC has agreed to lend Mayfair US\$15 million as a term loan available for utilisation over a period of 23 months from the date of Admission to meet certain of the Company's obligations under the Farm Out Agreement and the Joint Operating Agreement. The Afren Facility is repayable in full on the date falling 24 months from the date of Admission. The Company guarantees the obligations of Mayfair under the Afren Facility Agreement. If the Afren Facility is accelerated, Afren PLC has the right to be issued Ordinary Shares in the Company and, in default of sufficient Ordinary Shares being issued to discharge Mayfair's amounts outstanding to Afren PLC under the Afren Facility, Afren PLC also has the right to have a percentage of Mayfair's interest under the Farm Out Agreement reassigned to it.

### ***Lekoil Namibia***

The Company also holds an 80 per cent. stake in its subsidiary, Lekoil Namibia. The remaining 20 per cent. in Lekoil Namibia is held by a local partner, Tate. The Company has agreed with Tate that the Company shall receive 90 per cent. of any distribution declared by Lekoil Namibia.

### ***Blocks 2514 A & B, Namibia***

Lekoil Namibia has a 77.5 per cent. Participating Interest in two exploration licence blocks offshore Namibia, known as Blocks 2514 A & B. The other parties interested in the permits are Hallie (12.5 per cent. Participating Interest) and NAMCOR (10 per cent. Participating Interest). As the Company is entitled to 90 per cent. of any distribution declared by Lekoil Namibia, the Company therefore has an indirect 69.75 per cent. Participating Interest and Economic Interest. On 30 April 2012, Lekoil Namibia signed the 2514 Petroleum Agreement with the Namibian Government, Hallie and NAMCOR and was granted a petroleum exploration licence in respect of Blocks 2514 A & B. Lekoil Namibia is designated as the operator of these blocks under the 2514 Petroleum Agreement.

Lekoil Namibia has agreed to carry Hallie's share of the minimum expenditure obligations under the 2514 Petroleum Agreement and certain other amounts including the surface area fees and contributions to the Petrofund in Namibia. Lekoil Namibia is also negotiating an agreement with NAMCOR under which Lekoil Namibia would also carry NAMCOR's share of exploration costs. Further, Lekoil Namibia's minimum expenditure obligations during a second or third exploration period rise to US\$20 million and US\$50 million respectively. If the licence is extended, Lekoil Namibia would be required to provide significant amounts of capital for exploration activities.

If the licensees discover oil, Lekoil Namibia must pay Hallie US\$200,000 for every 100 million barrels of proven oil reserves up to a limit of US\$1 million. In addition, if production commences, Lekoil Namibia will have to pay Hallie a royalty of US\$2.00 for every produced barrel up to a maximum of US\$1.5 million, reducing Lekoil Namibia's profit on each barrel of oil.

The Directors will assess the most appropriate source of funding to meet Lekoil Namibia's obligations at the appropriate time.

To date, Lekoil Namibia has not delivered the required bank guarantee equivalent to US\$200,000 in respect of its minimum exploration commitment to the Namibian Minister and has not yet arranged for the delivery of a performance guarantee. As a result, the Namibian Minister has the right to terminate the licence, subject to following a specified procedure including giving the licensees notice of the wish to cancel and providing an opportunity to rectify all breaches. Lekoil Namibia has confirmed that it has not received any such cancellation notices.

### ***OPL241, Nigeria***

On 17 October 2011, Lekoil Nigeria signed the Prepayment Agreement relating to the proposed acquisition of an interest in another Nigerian field, OPL241 from Oilworld. It was proposed that Lekoil Nigeria acquire a 10 per cent. Participating Interest in OPL241 subject to negotiation of a commercial transaction and suitable documentation being agreed (the "OPL241 Acquisition") and certain payments being made by Lekoil Nigeria to Oilworld.

Lekoil Nigeria paid a deposit of US\$1 million on the understanding that this would be held by Oilworld as a deposit and applied by Oilworld towards any subsequent acquisition by Lekoil Nigeria of a 1 per cent. Participating Interest in OPL241. Ministerial Consent would be needed for the transfer of the interests, and although the OPL241 Acquisition has not completed, Oilworld is still holding the sum of US\$1 million as a deposit on the above basis.

If the OPL241 Acquisition fails to complete, Lekoil Nigeria has a right of first refusal over the 10 per cent. Participating Interest in OPL241 held by Oilworld (including the 1 per cent. interest to which the US\$1 million deposit above refers) on Lekoil Nigeria placing US\$8 million into an escrow account, although the terms on which that right of first refusal would be exercised have not been specified.

### ***Other companies in the Group***

#### *Lekoil Management Corp. and Lekoil Corporation*

The Company has two wholly-owned US subsidiaries. The first subsidiary, Lekoil Management Corp., was incorporated on 21 January 2011 in the State of Delaware. The charter of Lekoil Management Corp. was previously voided for failure to file any annual reports since inception. On 21 March 2013, Lekoil Management Corp. filed its past due annual reports and the Secretary of State of Delaware accepted for filing a Certificate of Renewal thereby restoring Lekoil Management Corp. to good standing in Delaware. The second subsidiary, Lekoil Corporation, was incorporated on 28 February 2011 in the state of New Jersey. These subsidiaries provide administration services to the Group.

#### *Lekoil Benin*

The Company has a wholly-owned Benin subsidiary, Lekoil Limited (Benin), which was incorporated on 22 February 2013 in Benin, to facilitate potential future activity in Benin.

## **2. Key investment proposition**

The Directors believe that an investment in the Company should be attractive to potential investors for the following reasons:

- the goal of the Group is to be an independent E&P group with a pan-African focus, building on its existing foundations in Nigeria and Namibia;
- Nigeria holds the second largest oil reserves and largest gas reserves in Africa. There is a long history of discovering and producing oil both onshore and offshore in Nigeria and an extensive pipeline network infrastructure and a number of export terminals are already in place;
- the Nigerian Government has stated that it intends to increase the participation of indigenous companies in the development and operation of oil and gas projects in Nigeria. Lekoil Nigeria and its subsidiary Mayfair are indigenous companies and so are well positioned to develop the Company's strategy alongside its indigenous partners. The Nigerian Government has also passed the Local Content Act, which gives certain advantages to indigenous companies during bidding rounds for petroleum assets;
- the Group has an experienced management team with extensive oil and gas industry experience and with significant experience of operations in Sub-Saharan Africa, in particular Nigeria, and a broad range of technical, operational and financial skills. Management has strong and long-developed relationships with Sub-Saharan African governments, IOCs, large independent E&P businesses and global financial institutions;
- OPL310 represents an early stage asset with significant potential and strong partners in Afren and Optimum. Unrisked net recoverable prospective resources attributable to the Company have been estimated at c.128.5 mboe by NSAI with production estimated to commence, assuming positive drilling results, in late 2015 at the earliest. Mayfair has executed the Farm Out Agreement with Afren to acquire an ultimate 30 per cent. Economic Interest in OPL310 which will be a non-operated profit oil interest (including a 17.14 per cent. Participating Interest, conditional upon Ministerial Consent);

- Lekoil Namibia is the operator of an exploration block in Namibia through its 77.5 per cent. Participating Interest and Economic Interest in Blocks 2514 A & B. These blocks are located in the prospective Luderitz basin, in which oil seeps are thought to reflect an active petroleum system. Subject to available funding, Lekoil Namibia intends to acquire 2D seismic data in 2014 as a first step towards defining drillable exploration prospects;
- the Group's potential rights in respect of Nigerian oil field OPL241 would, if fully realised, represent a new asset for the Group;
- the Group intends to enhance Shareholder value through:
  - (i) further appraisal of the identified resources at OPL310, following Farm Out Completion, in conjunction with its joint venture partners in order to upgrade the identified resources to reserves, with the aim of commencing first production by 2015;
  - (ii) further exploration programmes to identify resources within Blocks 2514 A & B in Namibia; and
  - (iii) pursuing additional carefully screened African acquisitions, for example a current opportunity identified by the Group that concerns a block in close proximity to OPL310 which exhibits analogous geological characteristics. The Group is in discussions regarding the potential acquisition of an interest in this asset;
- the Group is involved in other business development activities that it hopes will lead to the acquisition of marginal fields in Nigeria, divestment assets of IOCs and exploration opportunities in selected new basins; and
- the Group had previously commissioned a proprietary regional study of the Dahomey-Benin Basin and continues to pursue acquisition opportunities in the area based on its detailed technical study.

### **3. History and development of the Group**

The Company was established on 3 December 2010. The Company is the holding company for the Group which was established to acquire interests in oil and gas assets, initially focusing on sub-Saharan Africa and in particular Nigeria. Its founders consisted of a group of leading professionals with extensive experience in the upstream international oil and gas sector and in the global fund management/investment banking industries.

The Group co-ordinates its African activities from Lagos (Nigeria), but has an additional office in Princeton (USA).

Since December 2010, the Company has been financed by way of equity capital raised through a number of private fundraising rounds, raising approximately US\$8.35 million and has sought to acquire a number of assets in Nigeria alongside established and recognised partners.

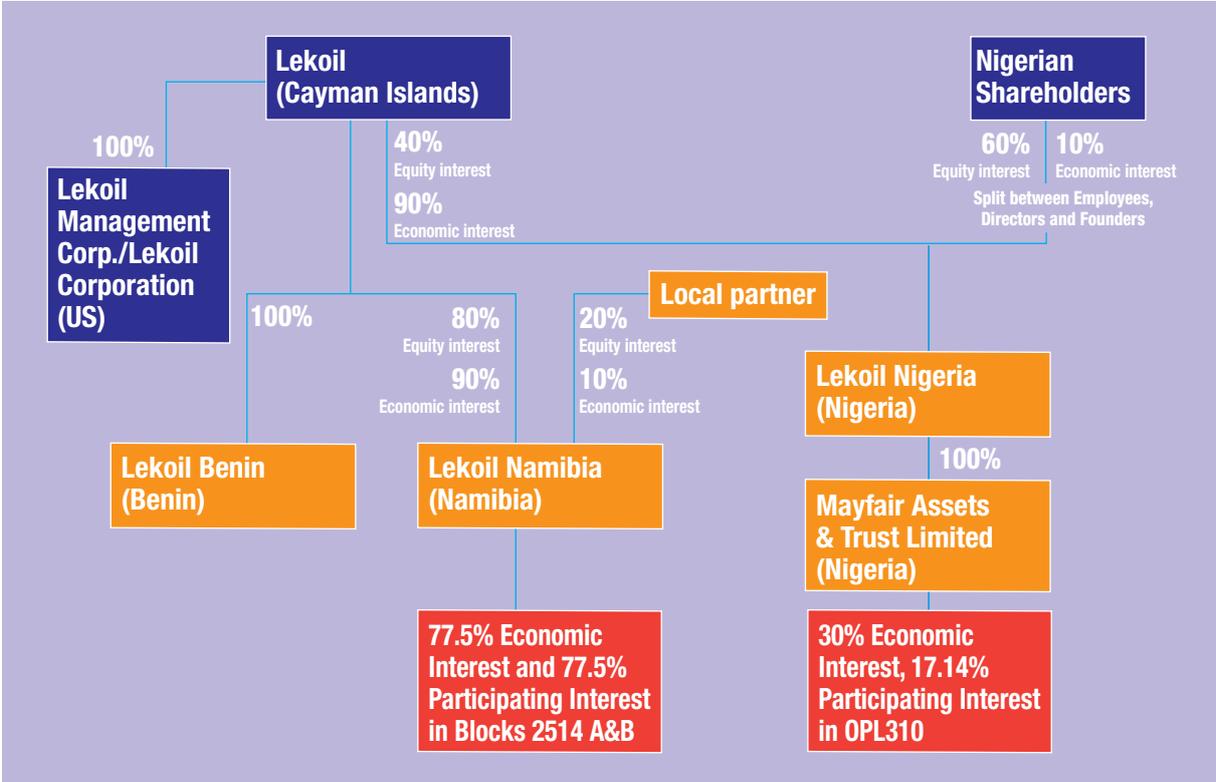
#### **Timeline of key events:**

3 December 2010	the Company is founded
January–February 2011	seed funding of US\$3.7 million raised
January 2011	joint bid for Shell Nigeria's OML30 licence with Afren plc and Dragon Oil plc
February 2011	joint bid for Shell Nigeria's OML40 licence with local partner and private equity firms
August–September 2011	private fundraising of US\$2.3 million
June 2012	joint bid for ConocoPhillips Nigerian assets with strategic partner
27 July 2012	PEL 0059 issued

2012 private fundraisings conducted raising a total of US\$1.1 million  
 1 February 2013 OPL310 Farm Out Agreement signed  
 March 2013 pre-IPO fundraising of US\$1.25 million

The structure of the Group and its interests in its assets is shown in Figure 1.

**Group structure showing ownership share of ultimate proposed interests (Figure 1):**



**4. Nigeria – country, fiscal environment and oil and gas industry overview**

*Country overview*

Nigeria has a population of over 160 million people and an abundance of natural resources, especially hydrocarbons. The country is the eleventh largest oil producer in the world and the largest oil producer in Africa. The economy of Nigeria is largely reliant on its oil sector, which supplies approximately 95 per cent. of its foreign exchange earnings, making upstream oil and gas the single most important sector in the economy. It is a major oil supplier to the US and Europe.

*Fiscal environment overview*

Since 2008, the Nigerian Government has demonstrated the political will to implement the market-orientated reforms urged by the International Monetary Fund, such as the modernisation of the banking system, the removal of fuel subsidies and the resolution of regional disputes over the distribution of earnings from the oil industry. GDP rose sharply from 2007 through to 2011 largely as a result of significant growth in the oil industry (driven primarily by robust global crude oil prices) and growth across other sectors, particularly the industrial and agriculture sectors.

Nigerian President, Goodluck Jonathan, has established a Nigerian Government economic advisory team that includes experienced and reputable members, and has announced plans to increase transparency, diversify economic growth, and improve fiscal management, all with the intention of driving further growth. However, a lack of well developed infrastructure and slow implementation of reforms remain impediments to growth. Acknowledging this, the Nigerian Government is working towards the development of stronger public-private partnerships for roads, agriculture and power. Various measures have also been undertaken by

the Nigerian Central Bank in response to the global financial crisis in order to restructure and strengthen the banking sector.

### *Nigerian oil and gas industry overview*

#### *Overview of Oil and Gas Resources*

Nigeria has the second largest oil reserves and the largest natural gas reserves in Africa; and it is presently the continent's largest oil producer. According to the BP Statistical Review of World Energy, Nigeria holds the ninth largest natural gas reserves in the world and its proven oil reserves are estimated at approximately 37.2 billion barrels.

The majority of Nigeria's oil and gas reserves are found along the Niger Delta and offshore, in the Bight of Benin, the Gulf of Guinea and the Bight of Bonny. The Nigerian economy is heavily dependent on its oil industry, as oil revenue accounts for over 95 per cent. of foreign exchange earnings and approximately 40 per cent. of government revenue.

Nigeria is pursuing a number of reforms aimed at restructuring its oil and gas industry. These initiatives include the streamlining of regulatory agencies and the revision of obsolete laws, rules and policies that regulate operations in the industry. In December 2008, the Nigerian Government submitted to the National Assembly the PIB as the medium for implementing the various reforms. Despite several years of public hearings, debates and review, the PIB is yet to be passed into law. A new version of the PIB was submitted to the National Assembly in July 2012 and it is presently being considered by the National Assembly.

The ongoing debates on the PIB have delayed oil investments and projects. Another key challenge being experienced in the industry is oil theft, commonly referred to as "bunkering," which often results in serious pipeline damage, causing loss of production and pollution, and has forced oil producers to shut-in production. Typically bunkering targets and affects onshore assets, and therefore should be of limited risk to the Company. The Nigerian Government and other stakeholders in the Nigerian oil and gas industry are deliberating on measures that can be implemented to address and/or significantly reduce the incidences of bunkering.

#### *Oil Production and Development*

Historically, most oil production in Nigeria has come from individual fields located onshore in the Niger Delta. However, in more recent periods, there has been a significant production contribution from the shallow water Niger Delta and deepwater areas.

#### *Joint Ventures*

The majority of Nigeria's producing oil and gas fields is held by five IOCs/oil majors – Shell, ExxonMobil, Chevron, Total and ENI/Agip through joint ventures with NNPC. Recently, Shell, Total and ENI/Agip have divested their 45 per cent. participating interests in eight OMLs to new investors, mostly comprised of indigenous oil and gas companies acting in conjunction with their foreign partners. In tandem with these transactions, NNPC has assigned its 55 per cent. participating interests in these eight OMLs to the NPDC, a subsidiary of NNPC.

#### *Production Sharing Contracts*

In addition to concessions held by NNPC/NPDC through joint ventures with other parties, NNPC is party to a number of production sharing contracts whereby NNPC alone holds the OPL/OML and enters into a contract with an E&P company whereby the E&P company takes the risk of exploration on behalf of NNPC in exchange for a right to a portion of any production.

#### *Sole Risk Ventures*

A few concessions are held solely by a concessionaire who operates the OPL or OML on sole risk basis (i.e. the concession is granted solely to a company and there is no state participation through NNPC). For instance, OPL310 was initially awarded to, and held by, a single concessionaire, Optimum. However OPL310 is now held by Afren and Optimum as co-venturers under a joint venture arrangement.

### *Marginal Fields*

As part of initiatives of the Nigerian Government to encourage indigenous participation in the Nigerian oil and gas industry, marginal fields have been awarded to companies designated as indigenous companies. Marginal fields are smaller concessions, which usually consist of a capped oil field within an OML that has not been developed by the OML holder because it falls below the materiality and economic thresholds of major oil and gas producers, known as fallow assets. The marginal field regime also sought to curb the rates of abandonment of depleting fields that, while not commercially attractive to major oil and gas producers, would be an asset to smaller indigenous companies. Marginal field owners develop the field for their own account paying taxes, royalties and dealing directly with the governmental authorities. Upon the grant of the concession, the marginal field owner enters into a farm-out agreement with the OML holder and, as part of the agreement, the marginal field owner is required to pay an overriding royalty to the original OML holder in recognition of the role of the OML holder in developing the concession.

Such companies usually partner with foreign E&P companies to assist in the development of marginal fields where E&P companies farm-in to the marginal field and assume the role of technical adviser. As technical adviser, foreign E&P companies usually have the responsibility of providing funding for E&P activities, as well as training and transferring technical knowledge of upstream operations to the management and staff of the indigenous companies.

### *Back-in rights*

The Nigerian Petroleum Act makes a general provision for the Nigerian Government to participate in any and every lease or licence area in Nigeria. Apart from this general provision providing for the Nigerian Government's right to participation in oil and gas ventures, the Deep Water Block Allocations to Companies (Back-In Rights) Regulations S.I.7 of 2003 issued pursuant to the Nigerian Petroleum Act, entitle the Nigerian Government to back-in (i.e. acquire an interest from an interest holder) to a concession where all or part of the relevant block is in water depths of more than 200 metres. If these regulations apply and the Nigerian Government has specified terms and conditions for backing-in, the general provision under the Nigerian Petroleum Act will not apply. Parts of OPL310 are in water depths of more than 200 metres.

The Back-In Rights crystallise upon application for conversion from OPL to OML and entitle the Nigerian Government to acquire five-sixths of the Participating Interest in the asset (rounded up to the nearest percentage point of total interest in the deep water block). Whilst the law is not completely clear on whose interest the Nigerian Government may back into (i.e. whose interests it may obtain), it would appear that the Nigerian Government may only back-in to the interest of the party that was granted the original interest rather than to all parties that hold an interest at the time the rights are exercised by the Nigerian Government except in very specific circumstances as described below.

The relevant regulations indicate the rights apply only to the original grantee of the interest, except where there is no production sharing arrangement in place. Where there is no production sharing arrangement in place, the regulations appear to indicate that the Nigerian Government could potentially back-in to all parties' interests (or at least to the interest of any party deemed to be a Nigerian party for the purposes of the Local Content Act). It is also not clear whether the Nigerian Government would distinguish between an Economic Interest and a Participating Interest.

By virtue of the Nigerian Supreme Court decision *Nigerian National Petroleum Corporation v Famfa Oil Limited*, the exercise of this right by the Nigerian Government is subject to negotiation with the parties to the relevant block. The Nigerian Government must negotiate the terms for commercial recovery of the funds expended to date on the asset and attributable to the backed-in portion. The Nigerian Government will compensate such party for its expenses incurred on that block (though ultimately the terms of back-in can be determined by the Nigerian Government). The decision also stated that the Nigerian Government may only exercise this right at the time of application to have the OPL converted to an OML.

Back-in Rights do not, however, apply to blocks allocated to NNPC or where the Nigerian Government owns a one hundred per cent. Participating Interest in a block.

### *Natural Gas Production and Development*

Petroleum is defined in the Nigerian Petroleum Act to include natural gas, hence the provisions of the Nigerian Petroleum Act which relate to exploration and production of crude oil generally also apply to the exploration and production of natural gas. Historically, however, the Nigerian Petroleum Act has only been applied to the exploration and production of crude oil. Paragraph 35 of the First Schedule to the Nigerian Petroleum Act merely provides that the Minister of Petroleum may impose special provisions on licences and lessees with regard to any natural gas discovered in a licence or lease area, including (i) the right of the Nigerian Government to take such natural gas produced with crude oil free of cost at the flare or at an agreed cost and without payment of royalty; and (ii) the obligation of the licensee/lessee to obtain the approval of the Nigerian Government as to the price at which natural gas produced (and not taken by the Nigerian Government) is to be sold.

A considerable number of Nigeria's oil fields produce significant amounts of associated gas, out of which approximately two bcf per day is flared rather than being utilised or re-injected. Although a zero flaring policy generally exists, the Associated Gas Re-injection Act empowers the Minister of Petroleum to permit flaring subject to certain conditions, including the payment of a fee prescribed from time to time for every standard cubic meter of gas flared. The Nigerian Government has been working to end natural gas flaring for several years, but the deadline to implement the policies and fine oil companies has been repeatedly postponed. In 2009, a Gas Flaring Bill, which seeks to prescribe an ultimatum for gas flaring in Nigeria and impose significantly increased gas flaring penalties, was developed by the Nigerian Government. However, the Gas Flaring Bill is yet to be enacted into law.

As part of measures to promote the utilisation of gas, the Nigerian Government developed a Gas Master Plan (the "Gas Master Plan") in order to stimulate development and utilisation of gas in Nigeria with multiplier effects on the economy, including enabling new gas-fired power plants to be established, thereby reducing gas flaring and providing electricity generation. Under the Gas Master Plan, the NGSPR were issued by the Minister in March 2008. The NGSPR provides for the imposition of domestic gas supply obligations on oil and gas exploration and production companies and requires them to submit gas production and supply plans consistent with their domestic gas supply obligations. The NGSPR also provide for the role of a domestic gas aggregator to act as an intermediary between suppliers and purchasers of gas in the domestic market and to ensure the supply of gas to strategic sectors based on aggregated prices in line with the Gas Master Plan. Non-compliance with the domestic gas supply obligation may expose a company to fees for volumes of gas not supplied, in addition to prohibiting a company from exporting gas.

### *Overview of Key Laws and Regulations*

By the provisions of the Nigerian constitution and the Nigerian Petroleum Act, ownership of petroleum is vested in the Nigerian Government on behalf of the people of Nigeria. The Nigerian Petroleum Act is the primary legislation governing the development of petroleum in Nigeria. The Ministry of Petroleum Resources, which is headed by a Minister who acts for and on behalf of the Nigerian Government, has broad powers including the powers to grant OPLs, which give the holder an exclusive right to explore and prospect for petroleum in respect of an area, and grant OMLs, for the development and disposal of crude oil. The Minister's consent is required for assignments of interests in OPLs and OMLs, and the Minister has the authority to issue regulations further to the Nigerian Petroleum Act. The Minister typically oversees the Nigerian industry through the DPR, which forms part of the Ministry of Petroleum Resources.

The Local Content Act was enacted in April 2010 and provides a framework for increasing Nigerian participation in all sectors of the Nigerian oil and gas industry, including the core upstream and support services of the Nigerian energy industry. The Local Content Act prescribes minimum thresholds for Nigerian participation in activities, generally provides for preferential treatment of Nigerian companies (i.e., companies with a minimum of 51 per cent. Nigerian equity holdings) in the award of oil blocks and licences and provides for exclusivity to Nigerian indigenous service companies that demonstrate their capacity to operate in land and swamp terrain. The Local Content Act also requires that operators retain a minimum ten per cent. of their total revenue from operations in Nigeria. Non-compliance with the provisions of the Local Content Act in the award or execution of a project or contract can result in the cancellation of the project or a fine of up to five per cent. of the project sum.

Further, the PDPR, issued pursuant to the Nigerian Petroleum Act, regulates operational aspects of the drilling and production of crude oil. The PDPR set out fees, rents and rates of royalties payable (depending on the location of the concession, royalty rates range from nil in deep offshore areas to 20 per cent. onshore) by a licensee or lessee under the Nigerian Petroleum Act. In addition, licensees and lessees are obligated to obtain permits and licences before engaging in most activities in furtherance of petroleum operations under the relevant OPL or OML and also have reporting obligations.

There are also the Crude Oil (Transportation and Shipment) Regulations which regulate the transportation and shipment of crude oil after production.

In addition to federal legislation, each Nigerian state in which oil and gas business is undertaken enacts laws setting environmental standards and regulating land ownership and use, some of which restrict transportation and storage of oil and natural gas in certain areas.

### *Fiscal regulations*

#### *PPTA*

The PPTA governs the taxation of upstream operations with the baseline applicable tax for crude oil operations set at 85 per cent. of chargeable profits with royalties ranging between nil and 20 per cent. depending on water depth. A lower tax rate of 65.75 per cent. is payable by companies that have not yet amortised all pre-production capital expenditure for the first five years. In practice, however, the Nigerian Government has not applied this statutorily prescribed rate to marginal field operations, but instead has applied concessionary rates of 50-55 per cent. of chargeable profits.

#### *DIBPSA*

The DIBPSA was enacted further to the PPTA and applies to production sharing contracts for concession areas situated deep offshore and in Nigeria's inland basin. The law was enacted to provide fiscal incentives to encourage exploration in areas that were at the time under utilised. The main incentive is a lower tax rate of 50 per cent. (as opposed to the 85 per cent. set by the PPTA), lower royalty rates (as low as zero per cent. for deep offshore areas) and the introduction of an Investment Tax Credit of 50 per cent. for production sharing contracts executed before 1 July 1998 or an Investment Tax Allowance of 50 per cent. for production sharing contracts executed after 1 July 1998. The DIBPSA is administered by the Federal Inland Revenue Service.

In addition to taxation of petroleum profits, pursuant to the PPTA or DIBPSA, there is also a levy of three per cent. imposed by the Niger Delta Development Commission Act 2000 chargeable on the total annual budget of any oil producing or gas processing company operating onshore and offshore of the Niger Delta area. Interests in assets located offshore in the Niger Delta will be subject to these provisions.

The Local Content Act requires that one per cent. of every contract awarded to any operator, contractor, subcontractor, alliance partner or any other entity involved in any project, operation, activity or transaction in the upstream sector of the Nigerian oil and gas industry shall be deducted at source and paid into the Nigerian Content Development Fund.

The Local Content Act also requires all operators, contractors and sub-contractors in the oil and gas industry to retain at least ten per cent. of their total revenue from Nigerian operations in Nigerian banks.

There is also a two per cent. Education Tax imposed on the assessable profits of every company registered in Nigeria and five per cent. VAT charged on all supply of goods and services except goods and services expressly exempted by the Local Content Act.

#### *Tax Incentives*

The PPTA also provides for a number of incentives to encourage utilisation of natural gas, usually although not exclusively found when exploring for crude oil. These incentives apply exclusively to crude oil producers engaged in the utilisation of both associated and non-associated gas.

In order to encourage gas utilisation, the Nigerian Government introduced incentives under the PPTA that would allow companies involved in the utilisation of gas to be taxed at the corporation tax rate of 30 per cent.

under CITA, in relation to the income from the gas utilisation project (as opposed to the 85 per cent. and 50 per cent. rates under the PPTA and DIBPSA, respectively). No definition is provided for utilisation of gas in the PPTA; however, the PPTA specifically provides that the incentives shall be available to companies that invest in natural gas liquids extraction facilities to supply gas in usable forms to downstream projects (such as aluminium smelting and methanol production) and other gas utilisation projects.

Companies that invest in the utilisation of associated gas are allowed to treat investments required to separate crude oil and gas from the reservoir into usable products as part of oilfield development. In addition to this, capital investment on facilities equipment to deliver associated gas in usable form can be treated as part of capital investment for oil development for tax purposes.

Under CITA, other incentives are available to gas utilisation companies, including a tax free period of up to five years for gas utilisation projects and attractive loan and capital allowance provisions amongst others.

### ***Environmental regulations***

#### *Environmental Impact Assessment Act*

The Environmental Impact Assessment Act (“EIAA”) requires every company whose activity or project is likely to have a significant effect on the environment to carry out an impact assessment programme prior to the commencement of the project. The assessment is to be referred to the Federal Ministry of Environment, the regulatory body charged with the responsibility of administering the EIAA, for approval. In addition, the EIAA classifies oil and gas development and construction of offshore pipelines in excess of 50 km in length among projects that will require environmental impact assessment to be conducted.

#### *Environmental Guidelines and Standards for the Petroleum Industry in Nigeria*

The Environmental Guidelines and Standards for the Petroleum Industry in Nigeria (the “Guidelines”) were issued by the DPR. The Guidelines mandate all licence holders or operators in the petroleum industry to adopt a systematic and integrated environmental management plan. They control the quality and quantity of industrial effluents associated with oil drilling activities/operations to ensure that such discharges do not cause any hazard to human health and living organisms. The Guidelines require that a mandatory environmental permit be obtained from the DPR prior to the commencement of seismic and drilling operations in Nigeria. An application for an environmental permit must be accompanied by an EIA report.

#### *Decommissioning*

Nigerian law contains various abandonment and decommissioning obligations. Under the Petroleum Drilling Regulations, no borehole or existing well is to be re-drilled, plugged or abandoned, and no cement casing shall be withdrawn from any borehole or existing well which is proposed to be abandoned without the written permission of the Director of the DPR and all abandonment procedures must be approved by the DPR.

Further, the Petroleum Drilling Regulations require the licensee after the termination of the licence to remove all buildings and equipment and deliver up to the Nigerian Minister, in good order, all productive boreholes or wells and fill up and fence all holes made in the conduct of the petroleum operations. In addition, the licensees are obliged to take reasonable steps to restore as far as possible to their original condition the surface of the relevant area and all buildings and structures thereon which have been damaged in the course of their operations.

The Guidelines, on the other hand, provide that decommissioning programmes shall be planned with the objectives and implementation drawn up during the project initiation and design phases. The programmes will involve identification of potentially contaminated land/sites and assessment of the nature, concentration and distribution of contamination on the contaminated sites so as to indicate their significance in terms of acceptable hazards to known receptors.

The decommissioning process is expected to be completed within six months and is expected to begin within one year after abandonment. It should be noted that, upon satisfactory completion of the decommissioning activity, a decommissioning certificate shall be issued by the DPR.

## ***PIB***

Broad and comprehensive petroleum industry reforms have been under consideration by the Nigerian Government for a number of years. These reforms were first suggested by the Oil and Gas Sector Reform Implementation Committee (“OGIC”) set up in 2000 and another committee set up by the National Council on Privatization, but the plans were not implemented and OGIC was dissolved. Subsequently, on 7 September 2007, the Nigerian Government reconstituted OGIC with a mandate to transform the broad provisions in the National Oil and Gas Policy (“NOGP”) into functional institutional structures for the effective management of the oil and gas sector in Nigeria. OGIC submitted its final report to the Nigerian Government on 3 August 2008. The OGIC report formed the basis of the original PIB, which was submitted to the National Assembly in December 2008.

Following its submission in December 2008, the Nigerian Government continued to review and revise the PIB, but no attempt was however made to withdraw and or substitute the PIB submitted to the National Assembly in December. The PIB went through first readings in the House of Representatives on 16 December 2008 and in the Senate on 13 January 2009. Second readings of the Bill were on 31 March 2009 and 1 July 2009 in the House of Representatives and Senate respectively. The PIB was subsequently referred to Joint Committees on Petroleum Resources of the House of Representatives and Senate for consideration. Public hearings on the PIB were held in both chambers of the National Assembly between 27 – 29 July 2009 at which an inter-government agency team of the Nigerian Government (comprised of representatives of relevant ministries and departments and set up following the submission of the original PIB to the National Assembly), the Oil Producers Trade Section of the Lagos Chamber of Commerce (“OPTS”), indigenous oil companies, oil producing communities and other stakeholders and interested persons made submissions to the National Assembly. The submission of the Nigerian Government inter-governmental agency team was in the form of a revised version of the PIB that was subsequently tagged the “Inter-Agency Version of the PIB”.

After the public hearings, both the House of Representatives and the Senate continued to engage key stakeholders on the PIB. Subsequently, on 9 December 2010, the Senate slated the Report of its Petroleum Resources Committee for consideration; the report was stood down however with the expectation that it would subsequently be considered. The Committee of the House of Representatives released its report on the PIB in early 2011. Neither of the reports was however eventually considered by the respective chambers of the National Assembly and, ultimately, the PIB was not passed before the end of the tenure of the sixth National Assembly in May 2011 and it therefore lapsed.

Prior to the end of the tenure of the sixth House of Representatives in 2011, its standing rules were amended to provide for the re-introduction of bills such as the PIB which had failed to progress beyond the committee stage of the legislative process. In line with these rules, the report of the sixth House of Representatives on the PIB was reintroduced as a revised version of the PIB on 26 July 2011. Thereafter, following civil unrest occasioned by the removal of the subsidy on premium motor spirit, the Nigerian Government, through the Nigerian Minister, on 19 January 2012, inaugurated an eight-member task force (the “Task Force”) and a Technical Committee with a mandate to review all previous versions of the PIB, and prepare an updated version for submission to the National Assembly. The Task Force together with its Technical Committee completed its tasks and then forwarded the revised PIB to the Nigerian Government on 29 June 2012. Thereafter, the President, on 18 July 2012, re-submitted the PIB to the National Assembly. The current version of the PIB is still being reviewed by the National Assembly.

Some of the key provisions contained in the PIB (as drafted) relate to the following:

- rights to explore for or produce oil and gas would be awarded by the Nigerian Minister through a competitive bidding process. However, the President of the Federal Republic of Nigeria would also have discretionary powers to grant such rights;
- the duration of any interests granted;
- renewal of an interest would be at the discretion of the Nigerian Minister;
- relinquishment obligations;

- interest holders would be required to pay 10 per cent. of their net profits to a petroleum host community fund for economic and social infrastructure development within host communities of oil and gas upstream operations;
- interest holders would be required to pay a prescribed contribution to an environmental remediation fund. The amount would be based on an annual assessment of the environmental risk of their operations;
- interest holders would be required to, by notice, present a decommissioning and abandonment plan to the regulator;
- gas flaring would not be permitted, with a penalty for flaring. The Nigerian Minister would be able to grant a permit for gas flaring; and
- the fiscal regime; for example, upstream and downstream operations would be subject to different rates of tax.

## **5. Namibia – country, fiscal environment and oil and gas industry overview**

### ***Country overview***

Namibia occupies 824,292 km<sup>2</sup> of South West Africa, bordering Angola and Zambia to the north, Botswana to the east, Zimbabwe to the north east, South Africa to the south and the Atlantic Ocean to the west. Namibia has a population of approximately 2.1 million, with approximately 34 per cent. of the population living in urban areas. Windhoek, the capital of, and largest city in, Namibia, has a population of approximately 342,000.

Namibia achieved full independence from South Africa on 21 March 1990. Hifikepunye Pohamba has served as President of Namibia since 2004. He was re-elected for a second term in office in November 2009. The next presidential election will be in 2014. The South West Africa People's Organisation ("SWAPO") has been in power since independence.

Namibia's constitution was adopted on 9 March 1990 (as amended, the "Constitution") and provides for a bill of rights, a President, a Parliament and an independent judiciary. The Parliament comprises of two chambers, the National Assembly, the lower chamber, and the National Council, the upper chamber. The National Assembly, for which the next election is due to be held in November 2014, is made up of 72 members elected for five-year terms. The National Council, for which the next election is due to be held in November 2015, has 26 members, two members from each region in Namibia, who are elected for five-year terms.

### ***Fiscal environment overview***

The Namibian economy is significantly influenced by the mining sector and the extraction and processing of minerals for export, particularly diamonds and uranium. Namibia is the world's fourth largest producer of uranium. Namibia also produces large quantities of zinc and smaller amounts of gold and other minerals such as copper and lead. Namibia's other principal economic sectors include fishing, manufacturing and agriculture. Namibia's principal exports include metal ores, diamonds, fish and manufactured products while its principal imports include machinery and equipment, transport equipment, food and beverages and chemical rubber and plastic products.

The Namibian economy is closely linked to South Africa with the Namibia dollar pegged to the South African rand on a one to one basis. Namibia is a member of the Southern African Customs Union, which provides for common external and excise tariffs throughout South Africa, Botswana, Lesotho, Namibia and Swaziland which are pooled and paid out to member countries based on an agreed formula.

### ***Oil and gas industry overview***

#### ***Overview of Oil and Gas Resources***

Despite an offshore exploration history dating back to the first exploration well in 1974, the four offshore sedimentary basins (from north-to-south the Namibe, Walvis, Luderitz and Orange Basins) can still be

considered significantly underexplored, with various petroleum exploration licence holders currently in the process of acquiring 2D and 3D seismic data and a few having started drilling exploration wells.

The Kudu Gas Field in the Orange Basin was discovered in 1974 and is still the only commercial discovery of hydrocarbons offshore Namibia.

### *Licensing Regime*

Petroleum exploration and production in Namibia is regulated by the Namibian Petroleum Act and the regulations published under the Namibian Petroleum Act. All rights in relation to reconnaissance, exploration, production and disposal and the exercise of control over petroleum vest in the Namibian Government.

The Namibian Petroleum Act authorises the Namibian Minister to issue three different types of licences:

1. reconnaissance licences;
2. exploration licences; and
3. production licences.

Reconnaissance, exploration or production operations can be conducted in Namibia only under the authority of an appropriate licence issued by the Namibian Minister under the Namibian Petroleum Act. The Namibian Petroleum Act does not provide for different licences for offshore and onshore areas.

Except in the case of a reconnaissance licence, the licence must be granted to a company and no interest in any such licence shall be ceded or assigned to any person other than a company. However, there is no requirement that the grantee company is a Namibian registered company.

Licences under the Namibian Petroleum Act are granted only upon application submitted to the Namibian Petroleum Commissioner and the grant may be subject to payment of fees. Applications for these licences have to conform to the requirements of the Namibian Petroleum Act. The Namibian Minister, in granting licences, does so subject to conditions. Such conditions are in practice contained in a petroleum agreement entered into between the licence holder and the Namibian Government and are in addition to any conditions imposed by the Namibian Petroleum Act.

The Namibian Minister is required by the Namibian Petroleum Act to enter into a petroleum agreement with an applicant for a petroleum exploration licence before he grants such licence. In order to facilitate the discharge of this statutory obligation, the Namibian Government has prepared and published a Model Petroleum Agreement (“Model”) to serve as a basis of negotiation with applicants for exploration licences. The Namibian Petroleum Act also specifies what matters shall be and may be dealt with in a petroleum agreement. This Model is a concession type agreement and its clauses draw from international petroleum industry practice.

Among the more important clauses in the Model is the one that gives an applicant for an exploration licence a right to the grant of an initial exploration licence for a period not to exceed four years. This may be renewed twice for a further period not exceeding two years on each occasion. In accordance with the Namibian Petroleum Act the Namibian Minister shall not grant an application to renew a licence if the licensee(s) is in default of any term or condition of the licence at the time of the application, provided that the Namibian Minister may not refuse the application for renewal before the Namibian Minister has issued a notice to the licensee(s) indicating his intention to refuse the application and setting out the particulars of the licensee’s alleged failure and requiring the licensee(s) to make representations in relation thereto before the date specified in the notice. The Namibian Petroleum Act also permits the Namibian Minister to extend the initial exploration period and the renewal period by up to 12 months each, where a licensee shows good cause to him. This discretion is intended to enable the Namibian Minister to respond to the operational exigencies of particular licences.

The Model makes provision for an applicant for a licence to commit to a minimum exploration work programme and minimum expenditure obligations. The Namibian Government will negotiate specifically tailored work programmes for each area in respect of which it grants a licence.

The Model sets out the procedure to be followed by a licensee on discovery of petroleum. The licensee is forthwith to inform the Commissioner for Petroleum Affairs and then to evaluate the discovery to determine whether it is of potential commercial interest. If it is, the licensee has to take steps to appraise the discovery in accordance with an appraisal programme in conformance with the requirements of the petroleum agreement. The holder of an exploration licence who makes a commercial discovery is entitled to apply for a production licence and, subject to complying with the requirements of the Namibian Petroleum Act, is entitled to the grant of such licence. A production licence may be granted for a period not exceeding 25 years and may be renewed for such further period, not exceeding ten years, as the Minister may determine at the time of such renewal. A production licence may be renewed only once.

The Model provides for a Technical Advisory Committee (“TAC”) consisting of an equal number of Namibian Government nominees and nominees of the licensee to monitor the petroleum operations of the licensee. In addition, the terms of the petroleum agreement include relinquishment of portions of the exploration area, obligations on the licensees in respect of the environment and health and safety and discovery and development of petroleum. The Model also regulates royalties, surface area rental payments, the provision of payment guarantees and performance guarantees and additional taxes. The Model creates obligations in respect of employment and training of Namibians, which must be repeated in any subcontracts, and financial contributions towards the Petroleum Training and Education Fund.

The licensees are jointly liable for performance of their obligations under a petroleum agreement. The licensees may regulate their liability between themselves, but this will not however affect their liability vis-à-vis the Government.

The Namibian Petroleum Act imposes conditions upon the holders of a licence, which include: local content obligations, such as giving preference to products, equipment and services available in Namibia and Namibian citizens who possess the appropriate qualifications as well as training and skills development obligations, health and safety compliance, prevention of pollution and damage to the environment, decommissioning obligations, undertaking operations in accordance with good oilfield practice and reporting. The Namibian Petroleum Act also prohibits the flaring of combustible gas, except for purposes of testing such gas, or for operational reasons or with prior approval of the Namibian Minister in writing.

A petroleum exploration licence imposes specific conditions on the licensees, which include an obligation to comply with all applicable laws relating to labour, health and safety and security and to comply with the Namibian Petroleum Act in relation to non-interference with fishing or marine navigation without prior approval of the Namibian Minister.

## 6. Description of principal interests, key partnerships and relationships

### *Asset overview*

#### *Summary of interests held by the Group*

The Group currently holds interests in two separate exploration and development licences offshore Africa: one in the Dahomey-Benin Basin of western Nigeria; and the other in the Luderitz basin in Namibia. These licences cover a total area of greater than 13,000 km<sup>2</sup>. The table below summarises the key aspects of each licence:

**Table 1 – Summary Table of Interests**

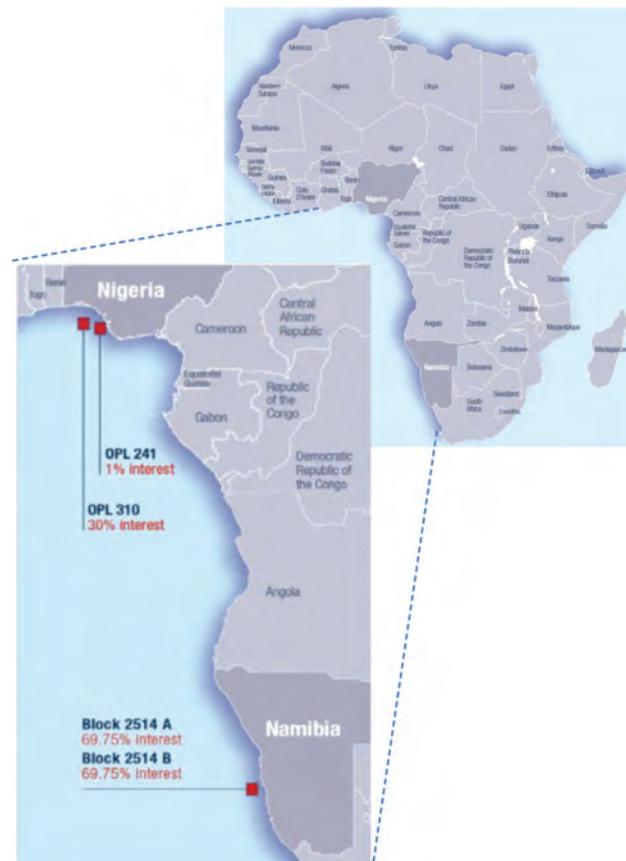
<i>Asset (Country)</i>	<i>Operator</i>	<i>Economic Interest held by Mayfair<sup>(8)</sup>/ Lekoil Namibia (%)<sup>(3)</sup></i>	<i>Indirect Economic Interest held by the Company (%)</i>	<i>Participating Interest held by Mayfair<sup>(8)</sup>/ Lekoil Namibia (%)<sup>(3)</sup></i>	<i>Indirect Participating Interest held by the Company (%)</i>	<i>Licence Expiry Date</i>	<i>Licence Area</i>
OPL310 (Nigeria)	Optimum <sup>(6)</sup>	30.00 <sup>(1)</sup>	27.00 <sup>(1,4)</sup>	17.14 <sup>(7)</sup>	15.43 <sup>(4,7)</sup>	February 2019 <sup>(2)</sup>	1,850 km
Blocks 2514 A & B (Namibia)	Lekoil Namibia	77.50	69.75 <sup>(5)</sup>	77.50	69.75 <sup>(5)</sup>	July 2016	11,159 km

Source: Company

(1) Following certain Cost Recoveries

- (2) After any potential commercial discovery and pursuant to the Nigerian Petroleum Act, the underlying OPL can (at the discretion of the Nigerian Minister) be converted to an OML, which extends the licence term by 20 years
- (3) As appropriate
- (4) As set out in the Shareholders Agreement, the Company has the right to receive 90 per cent. of any dividends declared, or capital returned, by Lekoil Nigeria
- (5) The Company has agreed with Tate that the Company will receive 90 per cent. of any distributions from Lekoil Namibia
- (6) Afren is the technical adviser in respect of OPL310
- (7) Following Farm Out Completion
- (8) Lekoil Nigeria holds all shares in Mayfair except one

**Figure 2 – Regional Map**



Source: Company

*Summary of assessed resources*

Resource assessments by NSAI have been made according to the petroleum engineering and evaluation principles promulgated by the Society of Petroleum Engineers (SPE Standards), and resources have been classified according to the Petroleum Resources Management System (PRMS 2007). See the CPR in Part 5 of this document for further information. The summarised unrisks prospective resources assessed are set out below in Table 2.

There are no wells or discoveries on OPL310. All volumes defined are classified as prospective resources.

There are currently no prospects or leads recognised in Blocks 2514 A & B which are the subject of the Group’s Namibian licence.

**Table 2 – Unrisked Prospective Resources (net attributable (27%) to the Company)**

<i>OPL310</i>		<i>Low</i>	<i>Gross Best</i>	<i>High</i>	<i>Net Attributable</i>			<i>Risk Factor</i>
					<i>Low</i>	<i>Best</i>	<i>High</i>	
EKO PROSPECT	OIL MMBBL	11.3	32.1	90.5	3.0	8.7	24.4	27%
	SOL. GAS BCF	6.7	19.3	54.5	1.8	5.2	14.7	
	FREE GAS BCF	38.2	112.9	328.0	10.3	30.5	88.5	
	COND. MMBBL	2.4	7.4	22.0	0.6	2.0	6.0	
	MMBOE		61.5			16.7		
OGO PROSPECT	OIL MMBBL	1.5	6.8	27.9	0.4	1.8	7.5	25%
	SOL. GAS BCF	0.9	4.1	16.8	0.2	1.1	4.5	
	FREE GAS BCF	7.6	36.5	193.3	2.1	9.9	52.2	
	COND. MMBBL	0.5	2.4	12.9	0.1	0.6	3.5	
	MMBOE		16.0			4.2		
AGEGE PROSPECT	OIL MMBBL	40.6	92.5	219.5	11.0	25.0	59.3	8%
	SOL. GAS BCF	24.3	55.2	132.7	6.6	14.9	35.8	
	FREE GAS BCF	30.8	96.0	370.7	8.3	25.9	100.1	
	COND. MMBBL	2.0	6.3	24.7	0.5	1.7	6.7	
	MMBOE		124.0			33.5		
ADO LEAD	OIL MMBBL	22.2	52.7	117.2	6.0	14.2	31.6	7%
	SOL. GAS BCF	13.2	31.5	70.8	3.6	8.5	19.1	
	FREE GAS BCF	98.3	192.9	363.1	26.5	52.1	98.0	
	COND. MMBBL	6.2	12.7	25.0	1.7	3.4	6.8	
	MMBOE		102.8			27.7		
SHASHA LEAD	OIL MMBBL	29.9	76.0	176.7	8.1	20.5	47.7	12%
	SOL. GAS BCF	17.8	45.5	106.6	4.8	12.3	28.8	
	FREE GAS BCF	186.5	379.9	770.5	50.3	102.6	208.0	
	COND. MMBBL	11.7	25.1	53.2	3.2	6.8	14.4	
	MMBOE		172.0			46.5		
TOTAL	OIL MMBBL	105.5	260.2	631.8	28.5	70.2	170.5	
	SOL. GAS BCF	62.9	155.5	381.5	17.0	42.0	102.9	
	FREE GAS BCF	361.4	818.2	2025.7	97.5	221.0	546.8	
	COND. MMBBL	22.8	53.9	137.9	6.1	14.5	37.4	
	MMBOE		476.3			128.5		

Source: CPR, Management Estimates

Note: Totals of unrisked prospective resources beyond the prospect and lead levels are not reflective of volumes that can be expected to be recovered and are shown for convenience only with BCF converted to MMBOE using an industry standard conversion factor of 6. Due to the geological risk associated with each prospect and lead, meaningful totals beyond these levels can be defined only by summing risked prospective resources. Such risk is often significant.

### *Nigeria assets*

The OPL310 licence is situated immediately offshore the far west of Nigeria, with its two main prospects, Eko and Agege, located in water depths of up to 150 metres and 800 metres respectively. The licences are characterised by a dominantly southern or seaward dipping, prograding sequence of Lower Cretaceous to Quaternary sediments. The basement consists of a series of rotated, generally east to west trending fault blocks with infilling, synrift sedimentary wedges, unconformably overlain by the main Cretaceous reservoir intervals.

### *Petroleum Geology of the Dahomey-Benin Basin*

The Dahomey-Benin Basin lies west of the well defined petroleum systems of the Niger Delta, where production is dominantly from the very thick Cenozoic (Tertiary) sediments. A series of basins along the West African coast, from Nigeria to Liberia (Figure 3), have seen high levels of exploration activity in recent

years, with some notable discoveries such as the Jubilee Field offshore Ghana – with most of the exploration focus (and success) being in the Cretaceous section.

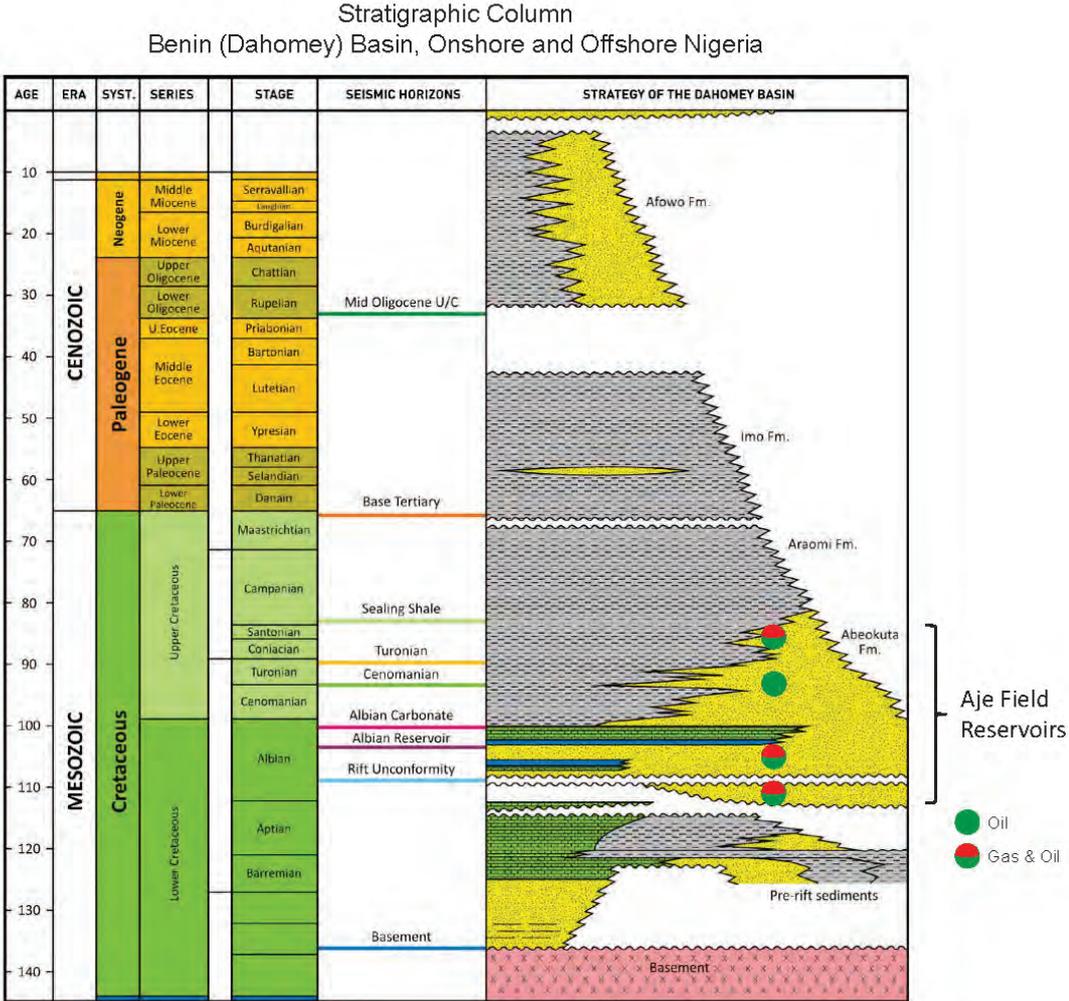
**Figure 3 – Cretaceous Basins of the West Africa Margin**



Source: Company

These basins were formed during the Cretaceous rifting of the Atlantic Ocean, and record a transition from continental, to shallow marine, to deepwater marine depositional environments. Lacustrine and fluvial sediments of Barremian to Aptian (Lower Cretaceous) age filling the synrift half-grabens are overlain unconformably by fluvio-deltaic and marginal marine sediments of Albian to Cenomanian age. These pass upwards into increasingly shale-dominated marginal to deep water marine sediments of Turonian to Recent age (Figure 4).

Figure 4 – Stratigraphic Column, Dahomey-Benin Basin

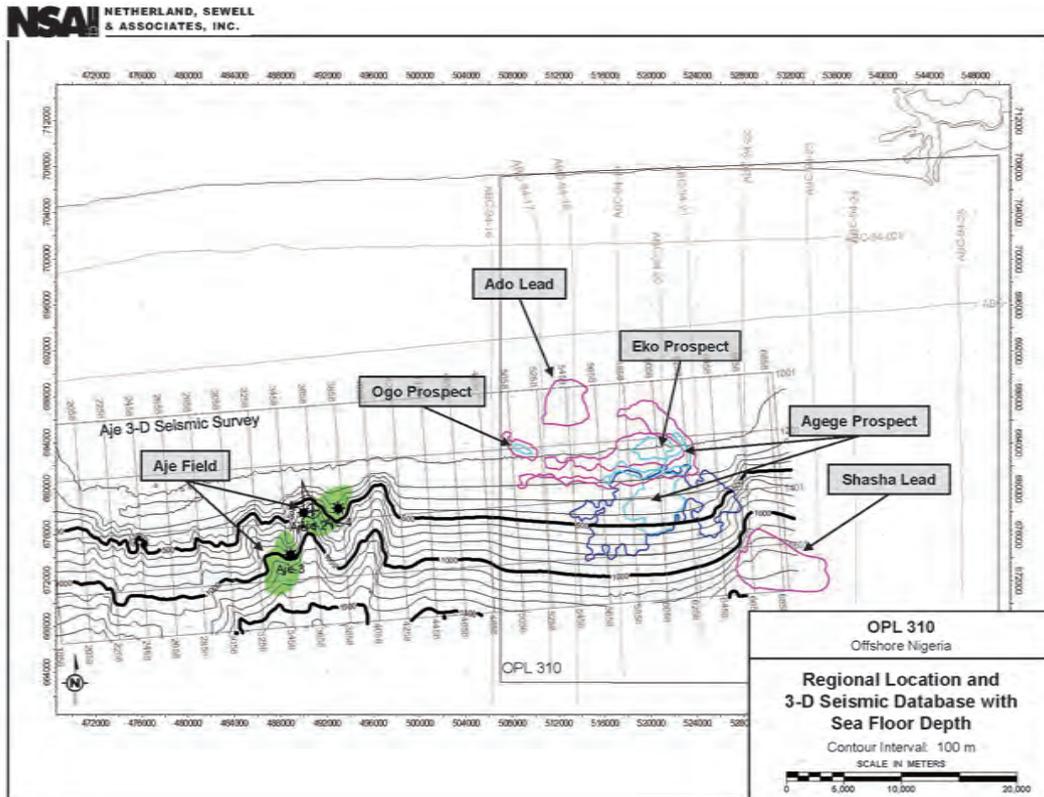


Source: CPR

Source rocks in the basin are thought to be organic rich shales of Cenomanian to Late Albian age, although other Upper Cretaceous source shales are possible, which are mature for oil to the south of the two licences. There are numerous proven and potential reservoirs within the basin, with thick, stacked sandstone/shale sequences as seen at the Aje field, immediately west of the licence. These productive sands are of Albian, Cenomanian and Turonian age, and have excellent reservoir properties (porosity 12 – 22 per cent., high permeability). Synrift sediments (Barremian to Albian) form a potential secondary, deeper reservoir target.

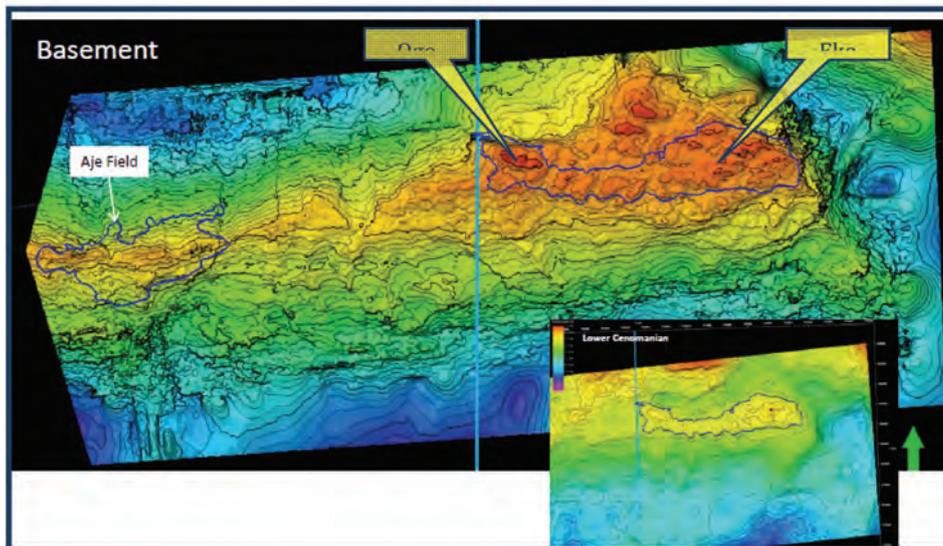
Hydrocarbon traps identified to date are primarily structural, formed by drape of Cretaceous reservoirs over uplifted fault blocks; closures may be quite subtle and are heavily influenced by seismic depth conversion over the steeply shelving continental margin. Stratigraphic pinchout trapping within the synrift sequences is also a viable exploration target in the area, as are stratigraphic traps within isolated, deepwater turbiditic sands within submarine canyon systems in the Turonian and younger section.

Figure 5 – 3D Seismic and Water Depth



Source: CPR

Figure 6 – Basement Structure, with Lower Cenomanian closure

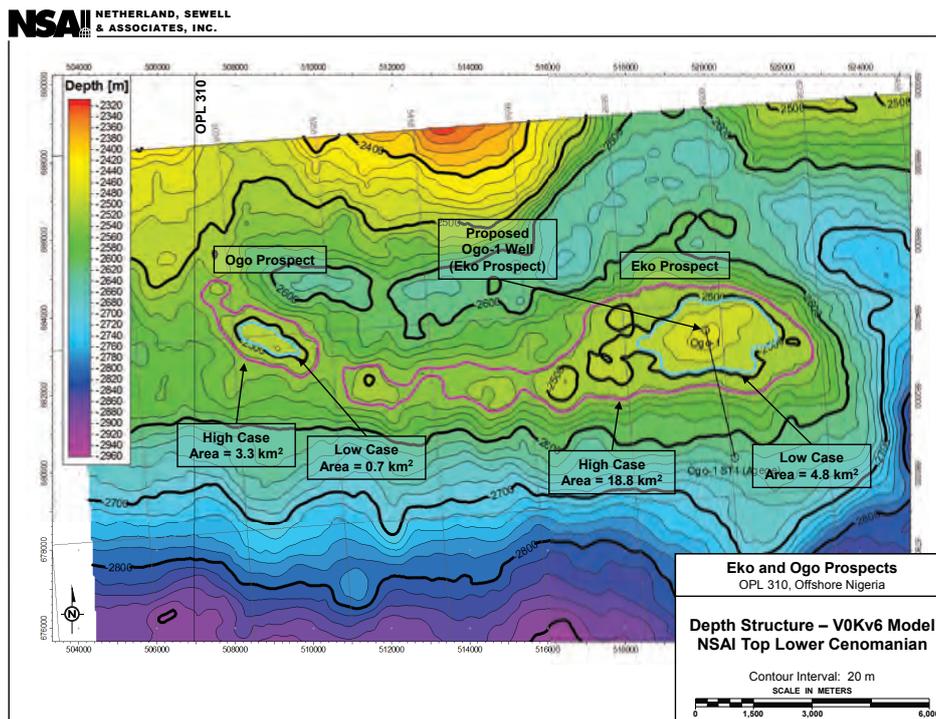


Source: Company

### Eko Prospect

Eko Prospect is an elongate, west to east trending anticlinal closure formed by drape of Cretaceous sediments over a large basement horst block. Closure is quite subtle, and is strongly dependent on depth conversion, but in the upside case is thought to extend over 18 km<sup>2</sup> (Figure 7). NSAI has assumed discrete reservoirs in the Turonian, Upper and Lower Cenomanian and Lower Albian, by analogy with Aje field from which correlation is straightforward on the contiguous 3D seismic data (Figure 5). They calculate P50, or ‘Best Estimate’, gross Oil-In-Place to be 108 mmbbl with the majority (60 mmbbl) in the Upper Cenomanian reservoir, but also assume the shallowest (Turonian) and deepest (Lower Albian) to have significant free gas with up to 156 bcf gross Gas-In-Place across the two zones.

Figure 7 – Eko and Ogo Prospects



All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Source: CPR

Potentially unrisks recoverable, prospective resource volumes are shown in Table 2, and amount to 32 mmbbl (Best Estimate) with an upside of 90 mmbbl; however, the significant Gas-In-Place assumed by NSAI should prove to be economic to develop, and brings the gross Best Estimate resources up to 61 mmbbl. NSAI has assigned a high Chance of Success factor of 27 per cent. to this prospect, based largely on the clear correlation on a high quality 3D seismic data set from the known discovery at Aje, about 18 km to the west.

#### *The Ogo-1 Exploration Well*

The initial exploration well in OPL 310, on the Eko prospect (the “Ogo-1 Well”), was spudded on 23 April 2013. The well will test a four-way dip-closed structure in the Turonian to Albian sandstone reservoirs, using the GSF Transocean Monitor rig. The drilling programme is expected to last 90 days and will include a planned side-track, which will test a new play of stratigraphically trapped sediments that pinch-out onto the basement high.

In the event that the Ogo-1 Well is successful, the Company may be required to seek further finance to meet its share of future development costs. In the event that the well is not successful, the Company will review its strategy, funding requirements and cost structure and may elect to implement significant cost rationalisations in order to preserve capital.

#### *Ogo Prospect*

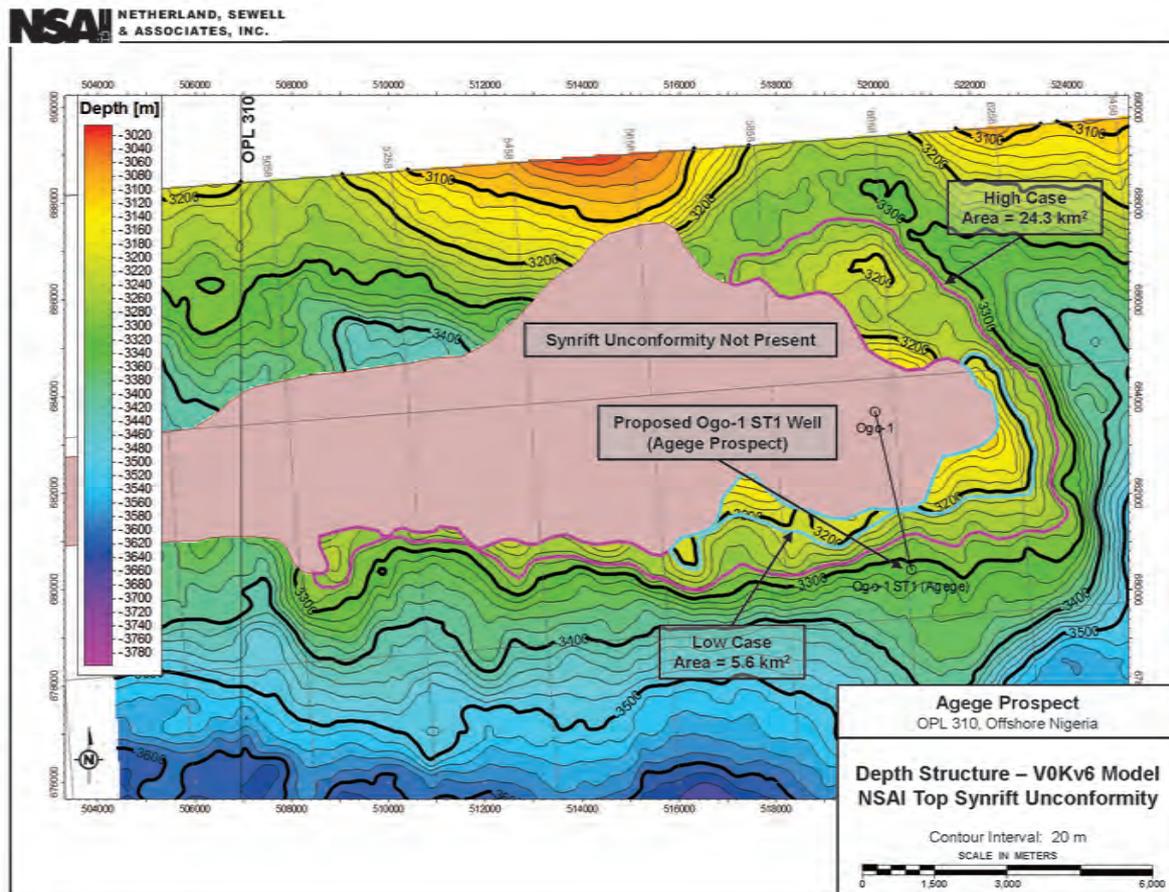
Ogo Prospect is a small, western extension of the Eko feature with which it is almost contiguous in the High Case closure (see Figure 7), separated only by a low relief saddle. Gross Oil-In-Place is around 23 mmbbl, with unrisks recoverable prospective resources of 6.8 mmbbl, although a larger closure at Albian level means the gas resource could be higher with up to 36 bcf potential (see Table 2), making this a possible follow-on satellite prospect in the event of a discovery on the Eko feature, with a 25 per cent. Chance of Success.

### Agege Prospect

The Agege Prospect is closely associated with the Eko feature, comprising a couple of different flank plays developed around the margins of the defining horst block (Figures 8 and 9), and which will be tested by the planned sidetrack to the Ogo-1 exploration well on the crest.

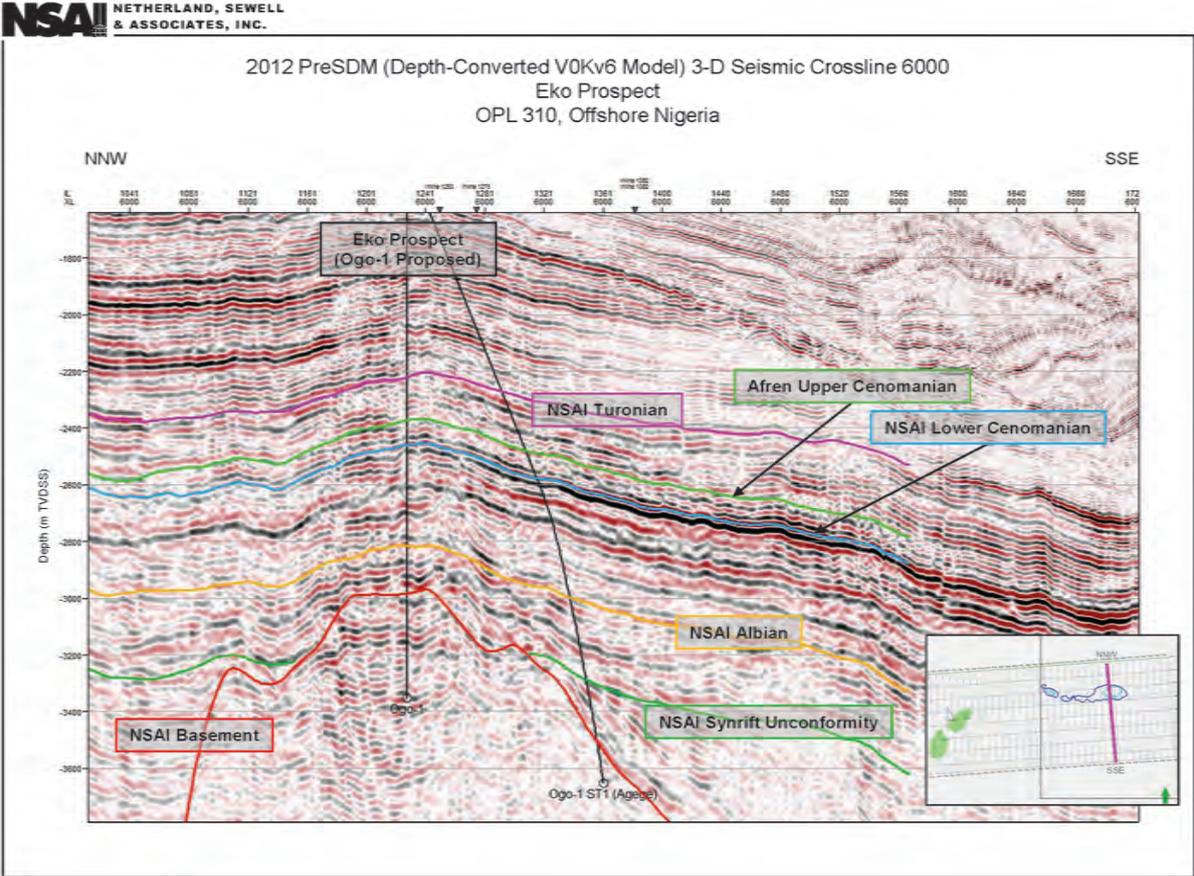
There are two reservoir targets; synrift sediments of assumed Barremian-Aptian (Lower Cretaceous) age, present as a wedge along the south side of the horst block, and Lower Cenomanian sandstones in a section which appears on seismic to pinch out on to the high, and are mappable as seismic amplitude anomalies. This is quite a high risk prospect, with Chance of Success assessed by NSAI as 8 per cent., but potential volumes are large with potential Oil-In-Place in excess of 300 mmbbl. Estimated gross potential resources are 92 mmbbl (Best Estimate), with an additional 150 bcf of gas.

Figure 8 – Agege Prospect – Synrift Closure



Source: CPR

Figure 9 – Ogo and Agege – N-S seismic line



Source: CPR

*Ado and Shasha Leads*

These two features are structural drapes analogous to Eko Prospect, but which are only partially imaged on the 3D seismic dataset (Figure 5). They are potentially quite large (103 and 172 gross mmboc respectively), but due to incomplete data coverage closure remains uncertain and NSAI has assigned Chance of Success factors of 7 per cent. and 12 per cent. respectively. They would become interesting targets for future work in the event of a Cretaceous discovery at Ogo-1.

*Namibia assets*

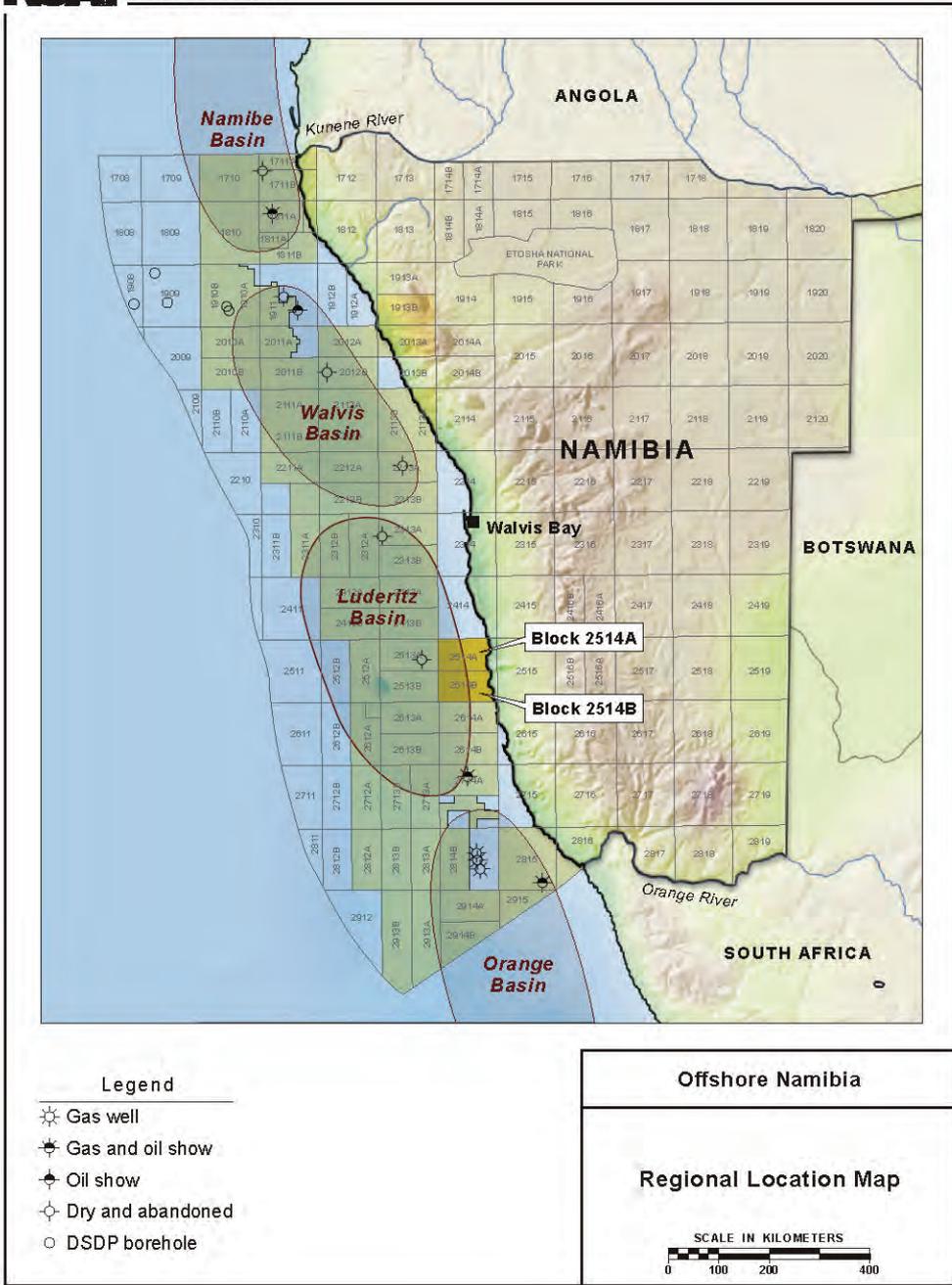
The Company holds an interest in two licence blocks awarded in July 2012, on the eastern flank of the under-explored Luderitz Basin, offshore Namibia (See Table 1 and Figure 10), where there are indications of oil seeps and an active petroleum system. The only significant discovery offshore Namibia to date is the undeveloped Kudu gas field, about 300 km to the south, which was discovered in the 1970’s and is thought to contain around 1.5 tcf of gas. This continental margin, comprising a series of basins (Namibe, Walvis, Luderitz and Orange), can be seen as a southern continuation of the prolific Angolan margin; exploration activity has increased in recent years with a number of wells having been drilled since 2008, although no significant new discoveries have been reported.

The awarded blocks are at the very earliest stage of exploration, in the first year of a four year initial licence term, and no prospects or specific leads have been identified. The Company is evaluating the limited geological, geophysical and well data in the area, and is planning to acquire 2D seismic on the blocks in 2014. 3D seismic leading to possible drilling would only follow in future licence renewal periods, after 2016.

NSAI has conducted a brief technical overview of the licence blocks, and concluded that a number of basin margin play types could be present, including onlap and pinchout of Cretaceous depositional sequences on to basement highs along the eastern edge of the Luderitz Basin. No quantification of resource potential or risks is possible at this stage.

Figure 10 – Namibia, Regional Location Map

**NSAI** NETHERLAND, SEWELL & ASSOCIATES, INC.



Source: CPR

**Table 3 – Exploration Cash Flows (US\$'000)**

	<i>Expenditure Type</i>	<i>FY13E</i>	<i>FY14E</i>	<i>Total</i>
OPL310	Farm in Costs	39,020	–	39,020

*Note: The above table assumes that any economic discovery of oil on OPL310 will not require funding until 2015 onwards. Funding would include the Company's share of a contingent work programme (currently estimated to be US\$41.2 million) and the payment of US\$10 million to the Nigerian Government to convert OPL310 to an OML. The Farm-in Costs are net of the US\$15 million loan Mayfair has entered into with Afren PLC.*

### **Competent Person's Report – NSAI**

NSAI is one of the largest and most experienced US-based petroleum consultants, with a global reputation for independent resource assessments. NSAI has been involved in the evaluation of OPL310 for some time on behalf of its operator, Afren, and was engaged by the Group to undertake an evaluation of its interest in the OPL310 licence. NSAI was also asked to undertake a brief review of the early-stage exploration of the Company's Namibian licence interests. NSAI's CPR on the Company's exploration assets (OPL310 and Namibia Blocks 2514 A & B) is attached as Part 5 of the document.

### **7. Potential development and production opportunities**

The Group expects Afren to drill the Ogo-1 well and Ogo-1 ST in block OPL310 in the early to mid part of the second quarter of 2013. The initial exploration well, the Ogo-1 well, was spudded on 23 April 2013. The well will test a four-way dip-closed structure in the Turonian to Albian sandstone reservoirs using the GSF Transocean Monitor rig. Subsequent to completion of drilling, the Group expects Afren to analyse results and, should a commercial discovery of hydrocarbons be made, develop a full field development plan. The development plan would most likely include additional seismic acquisition and the planned drilling of additional appraisal wells in the near-medium term. The Group envisages that, subject to positive drilling results, production would commence in late 2015 at the earliest under this scenario.

In the event that the Ogo-1 well is successful the Company may be required to seek further finance to meet its share of future development costs. In the event that the well is not successful, the Company will review its strategy, funding requirements and cost structure and may elect to implement significant cost rationalisations in order to preserve capital.

The Group expects to continue its review of historical data in Namibia and subsequently, subject to available funding, acquire and process seismic data on Blocks 2514 A & B and, subject to the results of that process and the availability of funding, the Group expects to drill a well or find suitable partners to drill together on the asset.

### **8. Financial information, current trading and prospects for the Group**

The current business activities of the Group include the continued exploration and development of OPL310 and Blocks 2514 A & B, the evaluation of further acquisition opportunities, the raising of finance and the recruitment of staff. Further details of the recent capital raisings are set out in paragraph 3 of this Part 1. The combined historical financial information of the Group for the two years to 31 December 2012, and a pro forma balance sheet, are set out in Parts 3 and 4 respectively of this document.

### **9. Future strategy**

The Group intends to use its current portfolio of assets as the foundation stone on which to build a multi-stage, Africa-focussed oil company. As part of this strategy, the Group will consider potential opportunities as they arise.

The Group is in discussions regarding the potential acquisition of an interest in a block in close proximity to OPL310 which exhibits analogous geological characteristics.

In the event that the Group acquires an interest in this or any other asset it may require additional finance (for instance to meet commitments under a work programme). The Group may seek to raise such finance by way of debt, equity or a combination thereof.

## **10. Directors, senior management and employees**

Brief biographical details of the Directors on Admission are set out below.

### **Samuel Adegboyega** (*Non-Executive Chairman*)

Samuel, aged 59, has over 30 years' experience in the oil and gas industry, and is currently Managing Director of SOWSCO Well Services (Nig.) Ltd., in Port Harcourt, Nigeria.

Samuel is a member of the Board of Trustees Ile-Oluji Economic Summit Group, a traditional local community leadership organisation as well as being a founding member of S.T. Adegboyega & Co., a Nigerian law firm.

Samuel is a founding member and current Executive of the Petroleum Technology Association of Nigeria, an association formed to bring together Nigerian oil and gas entrepreneurs. Samuel graduated from the University of Ibadan with a degree in Petroleum Engineering.

### **Olalekan Akinyanmi** (*Chief Executive Officer*)

Olalekan ("Lekan"), aged 41, has over 20 years' experience in the oil and gas industry, most recently with AllianceBernstein L.P. in New York where he spent six years as a research analyst and portfolio manager covering Energy and Materials worldwide.

Lekan has held senior positions at UBS Investment Research, 3Fold Ventures and Encabler Inc, a Californian headquartered technology company specialising in interactive television software, which he founded in June 2000, as well as successfully negotiating and raising the first round of equity capital for the Company's operations.

Prior to founding Encabler Inc, Lekan worked as lead engineer for Schlumberger Limited, where he advanced High Pressure High Temperature wireline operations for Texaco's North Sea oil prospects. Lekan's work at Schlumberger took him to a number of different petroleum jurisdictions including Scotland, Oman, Pakistan, Egypt and Nigeria.

Lekan graduated from the Obafemi Awolowo University in Nigeria with a Bachelor of Science Degree in Electronic and Electrical Engineering and also holds an MBA from Massachusetts Institute of Technology (MIT) Sloan School of Management. He is also a Member of the Society of Petroleum Engineers.

### **David Robinson** (*Finance Director*)

David, aged 42, has over 20 years' experience in global financial markets and most recently worked as senior vice president and global sector head for Energy and Natural Resources at AllianceBernstein L.P., where he managed multi-billion dollar equity portfolios for institutional and mutual fund clients.

David has extensive experience in corporate analysis and research, and prior to working for AllianceBernstein L.P., he worked for HSBC Securities, Credit Suisse First Boston and Westpac Investment Management.

David graduated from the University of Western Sydney with a Bachelors degree in Commerce, majoring in Accounting and later attained a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia. David is also a Chartered Financial Analyst.

### **Gregory Eckersley** (*Non-Executive Director*)

Gregory ("Greg"), aged 48, has 25 years' experience in international financial markets. He is the global head of the Abu Dhabi Investment Authority's internal equities department, where he oversees portfolios, risk management and the due diligence process.

Prior to joining the Abu Dhabi Investment Authority, Greg worked for AllianceBernstein L.P. in New York, where he acted as Senior Portfolio Manager, leading a team responsible for the construction, management and risk control of multiple global and international growth equity portfolios. Prior to this appointment he was with AllianceBernstein in South Africa as Chief Executive of its regional offices, Draycott Partners, Century Asset Management and Cigma International Investment Advisors in London.

Greg graduated from Oxford University in 1987 with a degree in Philosophy, Politics and Economics (PPE), where he also received a Rhodes scholarship. He then undertook a programme in Investment Management and Modern Portfolio Theory at the London Business School.

**Atedo Peterside** (*Non-Executive Director*)

Atedo, aged 57, has over 30 years' banking and financial experience, most recently as the Chairman of Stanbic IBTC Holdings PLC, the holding company for a group of financial services companies in South Africa, Nigeria and more generally Sub-Saharan Africa, and, prior to that, as Chief Executive Officer of IBTC Chartered Bank Plc ("IBTC"). During his time with IBTC, Atedo led the bank's growth campaign and capital markets assignments leading up to the merger with Stanbic in 2007.

Atedo is the Founder and President of the ANAP Foundation, a non-profit organisation committed to promoting good governance at national, state and local government levels. He currently holds several additional directorships in Nigeria, including Chairman for Cadbury Nigeria Plc, Director of Unilever Nigeria Plc and Director of Nigerian Breweries Plc.

Atedo graduated from City University, London, with a degree in Economics, following which he obtained a post graduate degree in Economics from the London School of Economics and Political Science.

**Aisha Oyebode** (*Non-Executive Director*)

Aisha, aged 49, has over 20 years' experience in finance and property in Nigeria, where she has held a senior position with Asset Management Group Limited since its foundation in 1991, with which she was heavily involved.

Aisha founded and is Chief Executive Officer of the Murtala Muhammed Foundation which is dedicated to engendering socio-economic change through encouraging discourse and debate on issues pertinent to Africa's development.

Aisha trained as a lawyer at Nigerian Law School, Lagos, and later received a qualification in Public International Law from King's College, London, and an MBA in Finance from Imperial College, London. Aisha graduated from the University of Buckingham, England with a Bachelor of Law degree in 1986.

**John van der Welle** (*Non-Executive Director*)

John, aged 57, has over 25 years' oil industry experience, having qualified as a chartered accountant with Arthur Andersen in 1981. He is a member of the Association of Corporate Treasurers and the Institute of Taxation.

After 11 years at Enterprise Oil where he was Business Development Manager and subsequently Group Treasurer, John has been Finance Director of a number of listed E&P companies, including Premier Oil PLC between 1999 and 2005.

He was Managing Director, Head of Oil and Gas, at the Royal Bank of Scotland in 2007-2008 and, since 2010 has worked as a consultant to, and non-executive director of, a number of listed and private E&P companies including, most recently, his appointment to the board of Hurricane Energy Plc.

The Board will monitor its composition on an ongoing basis with a view to ensuring that it has the relevant skills and experience for the Group's needs. It is anticipated that a further non-executive director will be appointed as the business develops.

**Employees and senior management**

The Group currently employs nine full time people, the majority of whom are based in Nigeria, but with three people based in supporting offices in Princeton (United States) and one person based in Windhoek (Namibia). Of the nine full time employees, four are considered to be part of the senior management team. The senior management team consists of one person in the legal team, and three people in the financial team. There is also a senior technical team, of which two people currently work on a part-time basis and are expected to come on board full time after Admission. The Group currently maintains a part time staff of four – supporting the technical and financial functions. After Admission, the Group expects to bring on board

a full time technical and support team of between 19 and 26 people, with nine people expected to be assigned to the technical team.

## **11. Details of the Placing**

Mirabaud has conditionally agreed, pursuant to the Placing Agreement, to act as agent for the Company and use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. Mirabaud has appointed Revere as its agent to use reasonable efforts to offer and sell Placing Shares at the Placing Price in the US. The Placing will raise approximately US\$49.1 million (approximately £32.0 million) (approximately US\$56.5 million (approximately £36.8 million) if the Over-Allotment Option is exercised in full) for the Company (before commissions and expenses). The Placing Shares are being placed with institutional and other sophisticated investors.

For the purposes of allowing Mirabaud to cover excess demand for the Placing Shares or short positions resulting from any over-allotments effected by it during the stabilisation period, the Company has granted to Mirabaud the Over-Allotment Option, pursuant to which Mirabaud may require the Company to issue the Over-Allotment Shares at the Placing Price to Mirabaud or such persons as it may nominate. The Over-Allotment Option is exercisable, in whole or in part, on notice by Mirabaud, at any time up to and including 5.30 p.m. on the 30<sup>th</sup> calendar day following the date of Admission.

Following Admission, the Placing Shares will collectively represent approximately 43.77 per cent. of the Enlarged Share Capital (assuming no exercise of the Over-Allotment Option).

The Placing, which is not underwritten, is conditional, *inter alia*, on Admission becoming effective by 17 May 2013 (or such later date as Mirabaud, Strand Hanson and the Company may agree, not being later than 31 May 2013) and on the Placing Agreement not being terminated prior to Admission. The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, paid or made after the date of issue, and will be placed free of any expenses and stamp duty. It is expected that the proceeds of the Placing will be received by the Company by 17 May 2013. In the case of investors receiving Ordinary Shares in uncertificated form, it is expected that the appropriate CREST accounts will be credited with Depository Interests with effect from 17 May 2013. In the case of investors receiving Ordinary Shares in certificated form, it is expected that certificates will be despatched by post, within 14 days of the date of Admission.

Following Admission, the Directors will, between them, hold 51,351,153 Ordinary Shares, representing approximately 28.10 per cent. of the Enlarged Share Capital, as referred to in paragraph 6.2 of Part 6 of this document. Following Admission, certain other Significant Shareholders, as referred to in paragraph 5.1 of Part 6 of this document, will each hold three per cent. or more of the Enlarged Share Capital. There will be a total of 182,774,233 Ordinary Shares (including the Placing Shares), 750,000 Warrants and 13,062,500 Options in issue upon Admission. The foregoing is on the basis that the Over-Allotment Option is not exercised. The existing aggregate shareholdings of Shareholders prior to the Placing and Admission will be diluted to 56.09 per cent. of the Enlarged Share Capital and 49.15 per cent. on a fully diluted basis (assuming all Warrants, Options and the Over-Allotment Option are exercised in full).

Further details of the Placing Agreement are set out in paragraph 13.6(a) of Part 6 of this document.

## **12. Reasons for Admission and use of proceeds**

The Directors' reasons for seeking Admission are as follows:

- to provide Mayfair with the required capital to satisfy the Funds Condition and towards meeting its payment obligations under the Farm Out Agreement;
- to provide Lekoil Namibia with the required capital to advance its exploration programme on Blocks 2514 A & B, Namibia;
- to enable the Group to access a wide range of potential investors and broaden its investor base;

- to provide the Group with a flexible financial structure for further development and growth, both organically and via potential acquisitions or joint ventures;
- to allow the Group to take advantage of acquisition opportunities as they arise, including the possible acquisition in relation to which the Group is in negotiations as described in paragraph 2 of this Part 1;
- to improve the Group’s ability to access further funding from international capital markets to finance the future growth of the business consistent with its stated strategy;
- to maintain a high level of transparency and corporate governance within the Company;
- to raise the profile of the Group and assist the Group in recruiting, retaining and incentivising skilled employees; and
- to enhance the Group’s reputation and financial standing with its key partners and suppliers and with potential vendors of additional assets.

The gross proceeds of the Placing to the Company are expected (assuming no exercise of the Over-Allotment Option) to be approximately US\$49.1 million (approximately £32.0 million) and are currently intended to be applied as follows:

**Table 4 – Use of Proceeds**

<i>Use</i>	<i>US\$ million</i>
Farm Out Agreement (OPL310) costs	35.0
General working capital requirements and funding/part funding of future acquisitions	6.2
Expenses and commissions associated with Admission and the Placing	7.9
<b>Total</b>	<b>49.1<sup>(1)</sup></b>

(1) In the event that the Over-Allotment Option is exercised, either in full or in part, the funds received will be applied to the Company’s general working capital and to provide further flexibility in making acquisitions consistent with the Group’s strategy.

### **13. Corporate governance**

There is no applicable regime of corporate governance to which directors of a Cayman Islands company must adhere over and above the general fiduciary duties of care, diligence and skill imposed on such directors under Cayman Islands law. The Directors recognise the importance of sound corporate governance commensurate with the size and nature of the Company and the interests of its Shareholders. The Corporate Governance Code does not apply to companies admitted to trading on AIM and there is no formal alternative for AIM companies. The Quoted Companies Alliance has published a corporate governance code for small and mid-sized quoted companies, which includes a standard of minimum best practice for AIM companies, and recommendations for reporting corporate governance matters (the “QCA Codes”). However, the Directors intend to take account of the Corporate Governance Code (and the QCA Code), to the extent they consider it appropriate and having regard to the size, current stage of development and resources of the Company.

The Corporate Governance Code provides that the board of directors of a public company should include a balance of executive and non-executive directors, with independent non-executive directors comprising at least one-half of the board (excluding the Chairman). The Corporate Governance Code states that the board should determine whether a director is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director’s judgment.

The Board is comprised of seven directors consisting of two executive Directors and five non-executive Directors. The Board considers that the Non-Executive Directors are independent within the meaning of the Corporate Governance Code. If necessary the Non-Executive Directors will take independent legal advice. Please refer to paragraph 10 of this Part 1 and paragraphs 6 to 9 of Part 6 of this document for more information in relation to each Director.

Set out below is a description of the Company’s proposed corporate governance practices.

### ***The Board***

The Board will meet regularly and be responsible for strategy, performance, approval of any major capital expenditure and the framework of internal controls. The Board will have a formal schedule of matters specifically reserved to it for decision, including matters relating to major capital expenditure, management structure and appointments, strategic and policy considerations, corporate transactions and finance.

The Board will be responsible for establishing and maintaining the Group's system of internal financial controls and importance is placed on maintaining a robust control environment. The key procedures which the Board intends to establish with a view to providing effective internal financial control include the following:

- the Company will institute a monthly management reporting process to enable the Board to monitor the performance of the Group;
- the Board will adopt and review a comprehensive annual budget for the Group. Monthly results will be examined against the budget and deviations will be closely monitored by the Board;
- the Board will be responsible for maintaining and identifying major business risks faced by the Group and for determining the appropriate courses of action to manage those risks; and
- fully consolidated management information will be prepared on a regular basis, at least half yearly.

The Board recognises, however, that such a system of internal financial control can only provide reasonable, not absolute, assurance against material misstatement or loss. The effectiveness of the system of internal financial control operated by the Group will therefore be subject to regular review by the Board in light of the future growth and development of the Company and adjusted accordingly.

To enable the Board to discharge its duties it is intended that all of the Directors will receive timely information in respect of the affairs of the Group.

### ***The audit committee***

The audit committee will comprise Samuel Adegboyega, Gregory Eckersley and John van der Welle on Admission. The members will all be independent Non-Executive Directors of the Company. It shall meet not less than three times a year. The audit committee receives and reviews reports from management and from the Company's auditors relating to the interim and annual accounts and to the internal control procedures in use throughout the Group. It is responsible for ensuring that the financial performance of the Group is properly reported with particular regard to legal requirements, accounting standards and the AIM Rules for Companies. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board.

### ***The remuneration committee***

The remuneration committee will comprise Samuel Adegboyega, Gregory Eckersley and John van der Welle on Admission. The members will all be independent Non-Executive Directors of the Company. It shall meet not less than twice a year. It is responsible for determining and reviewing the terms and conditions of service (including remuneration) and termination of employment of executive directors and senior employees and the grant of options implemented from time to time.

The Directors intend to comply with Rule 21 of the AIM Rules relating to directors' and applicable employees' dealings in the Company's securities. Accordingly, the Company has adopted the Share Dealing Code for directors and applicable employees and the Company will take all reasonable steps to ensure compliance by its directors and applicable employees with the provisions of the AIM Rules relating to dealings in securities.

## **14. Dividend policy**

Given that the Group's current assets are generally at an early exploration and appraisal stage, it is not anticipated that there will be any significant earnings arising from the Group's activities in the short to

medium term. Accordingly, the Board does not expect to recommend or pay any dividends in the foreseeable future.

The Directors will consider an appropriate dividend policy at such time as the Company is generating an operating profit. The declaration and payment by the Company of any future dividends, and the amount of such dividends, will ultimately be dependent upon the Group's financial condition, future prospects, profits legally available for distribution, the need to maintain an appropriate level of dividend cover and other factors deemed by the Board to be relevant at that time, in accordance with the Articles and subject to compliance with the Cayman Act.

Please see paragraph 13.4(a) of Part 6 for a more detailed description of how any dividend due from Lekoil Nigeria to the Company would be paid.

## **15. The Takeover Code**

The Takeover Code is issued and administered by the Panel. The Takeover Code applies to takeovers and merger transactions, however effected, where the offeree company is, *inter alia*, a company whose registered office is in the UK, the Channel Islands or the Isle of Man and either (a) such company's shares are admitted to trading on a "regulated market" (which term does not include AIM); or (b) in the opinion of the Panel, such company's place of central management and control is in the UK, the Channel Islands or the Isle of Man.

**As the Company's registered office is not in the UK, the Channel Islands or the Isle of Man, the Company does not fall within the jurisdiction of the Takeover Code and Shareholders are therefore not entitled to the protections afforded by the Takeover Code.**

Whilst the Company is not a company to which the Takeover Code applies, the Articles contain equivalent provisions that reflect those contained in Rule 9 of the Takeover Code ("Rule 9"). Such provisions bind Shareholders but can be dis-applied by the Board. Further details are set out in paragraph 12 of Part 6.

Under Rule 9 when any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company; or (b) any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, then such person shall extend offers, on the basis set out in Rules 9.3, 9.4 and 9.5 of the Takeover Code, to the holders of any class of security (whether voting or non-voting) and also to the holders of any other class of transferable securities carrying voting rights. An offer under Rule 9 must be in cash and at the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any person acting in concert with him.

## **16. Taxation**

**Information regarding taxation is set out in paragraph 16 of Part 6 of this document. These details are intended as a general guide only to the current tax position in the Cayman Islands, the United Kingdom and the US regarding withholding taxes and is not intended to constitute personal tax advice for any person. Prospective investors are strongly advised to consult their own independent professional tax advisers regarding the tax consequences of purchasing and owning Ordinary Shares.**

## **17. Settlement, dealings and CREST**

The Articles permit the Company to issue shares in uncertificated form and contain provisions concerning the transfer of shares which are consistent with the transfer of shares in uncertificated form under the CREST Regulations. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. CREST is unable to take responsibility for the electronic settlement of shares issued by companies incorporated in certain non-UK jurisdictions,

including companies, such as the Company, which are incorporated in the Cayman Islands. Securities in overseas companies cannot generally be held or settled electronically in the CREST system.

To enable Shareholders to settle their securities in the Company through the CREST system, the Company has put in place a Depositary Interest facility operated by the Depositary. The Depositary Interest facility is created pursuant to a deed poll dated 13 May 2013 (the “Deed Poll”), under which the Depositary (or its nominee) will hold Ordinary Shares in certificated form on trust for Shareholders and it will issue uncertificated Depositary Interests (on a one-for one basis) representing those underlying Ordinary Shares and provide the necessary custodian services. The relevant Shareholders will retain the beneficial interest in the Ordinary Shares held through the Depositary Interest facility and voting rights, dividends or any other rights relating to those Ordinary Shares will be passed on by the Depositary (or its nominee) in accordance with the terms of the Deed Poll. The Depositary Interests can then be traded, and settlement can be effected, within the CREST system in the same way as any other CREST security.

Shareholders wishing to withdraw from the Depositary Interest facility and hold their Ordinary Shares in certificated form may do so at any time using standard CREST messages. Transfers of Depositary Interests are subject to stamp duty reserve tax in the normal way.

CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

Admission is expected to take place and unconditional dealings in the Ordinary Shares is expected to commence on AIM at 8.00 a.m. on 17 May 2013. Subsequent application will be made for any Over-Allotment Shares issued upon the exercise of the Over-Allotment Option to be admitted to trading on AIM.

For further information concerning CREST, Shareholders should contact their broker or Euroclear UK & Ireland Limited at 33 Cannon Street, London EC4M 5SB, United Kingdom, or by telephone on +44 (0) 20 7849 0000.

Further details of the settlement arrangements relating to the Placing are set out in Part 6 of this document.

## **18. Effect of a Cayman Islands domicile**

### ***Cayman Act***

The Company is an exempted limited liability company incorporated under the Cayman Act. The Company’s corporate affairs are governed by the Articles, as amended and restated from time to time, the Cayman Act and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of the Directors to the Company under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. Law and practice in the Cayman Islands relating to companies is not the same as English law applicable to public limited companies, or those laws which may be applicable to Lekoil Nigeria or Mayfair, as companies subject to Nigerian law.

### ***Compulsory acquisition***

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice in the prescribed manner, require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

### ***Mergers and consolidations***

The Cayman Act provides that any two or more Cayman Islands companies limited by shares (other than segregated portfolio companies) may merge or consolidate in accordance with the Cayman Act. The Cayman Act also allows one or more Cayman Islands companies to merge or consolidate with one or more foreign companies (provided that the laws of the foreign jurisdiction permit such merger or consolidation).

To effect a merger or consolidation of one or more Cayman Islands companies the directors of each constituent company must approve a written plan of merger or consolidation in accordance with the Cayman Act. The plan must then be authorised by each constituent company by a special resolution of members and such other authorization, if any, as may be specified in such constituent company's articles of association.

Where a Cayman Islands parent is merging with one or more of its Cayman Islands subsidiaries, shareholder consent is not required if a copy of the plan of merger is given to every member of each subsidiary company to be merged, unless each such member agrees otherwise.

To effect a merger or consolidation of one or more Cayman Islands companies with one or more foreign companies, in addition to the approval requirements applicable to the merger or consolidation of Cayman Islands companies (in relation to Cayman Islands company(ies) only), the merger or consolidation must also be effected in compliance with the constitutional documents of, and laws of the foreign jurisdiction applicable to, the foreign company.

### ***Reconstructions***

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75 per cent. in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. While a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

## **19. Lock-in and orderly market arrangements**

The Locked In Shareholders have agreed with the Company, Mirabaud and Strand Hanson to accept certain restrictions on the disposal of their interests in Ordinary Shares for a period of at least 12 months from the date of Admission, save in certain limited circumstances.

Each Locked In Shareholder has agreed with the Company, Mirabaud and Strand Hanson:

- not to dispose of any of their interests in Ordinary Shares for a period of at least 12 months from the date of Admission, save in those circumstances expressly permitted by the AIM Rules and the Lock-In Agreement (as described in paragraph 13.6(e) of Part 6); and
- not to dispose of any of their interests in Ordinary Shares for a period of 12 months from the first anniversary of the date of Admission, except with the consent of, and through, Mirabaud (or the Company's broker from time to time), so as to maintain an orderly market in the Ordinary Shares.

The aggregate interests following Admission which shall be subject to the lock-in and orderly market arrangements as described above will amount to 63,967,063 Ordinary Shares, which is equivalent to approximately 35.00 per cent. of the Enlarged Share Capital.

Further details of the lock-in and orderly market arrangements described above are set out in paragraph 13.6(e) of Part 6 of this document.

## **20. Employee Benefit Trust**

To assist with the Company's cash flow obligations, Lekan and David Robinson have agreed with the Company that they may accept their past salary and future salary for the period of eighteen months following Admission in the form of Ordinary Shares rather than in cash. Accordingly, the EBT is being established and a pool of 4,346,987 Ordinary Shares will be allocated to the EBT at Admission. The EBT's Ordinary Shares

will be held by Genesis Trust & Corporate Services Limited (as trustee (the “Trustee”)) on trust for the employees and directors of the Group (the “Beneficiaries”). The Directors may direct the Trustee to transfer all or part of the Ordinary Shares held in the name of the EBT to any of the Beneficiaries (including Lekan and David Robinson).

## **21. Options**

The Board believes that it is important that the Group’s staff are appropriately and properly motivated and rewarded, with the success of the Group dependent to a large extent on its staff. Accordingly, the Company has, at various times since its incorporation, awarded Options to various members of staff and persons associated with the Group. The terms of these Options are more particularly described at paragraph 9 of Part 6 of this document.

## **22. Further information**

Your attention is drawn to the further information set out in:

- Part 2 of this document, relating to risk factors;
- Part 3 of this document, setting out the accountant’s report and financial information on the Group;
- Part 4 of this document, setting out the unaudited pro forma financial information for the Group;
- Part 5 of this document, setting out the Competent Person’s Report; and
- Part 6 of this document, summarising certain additional information on the Company and the Group.

## **PART 2**

### **RISK FACTORS**

**The investment detailed in this document may not be suitable for all of its recipients and involves a high degree of risk. Before making an investment decision, prospective investors are advised to consult a professional adviser authorised under FSMA who specialises in advising on investments of the kind described in this document. Prospective investors should consider carefully whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them.**

**The exploration for and development of natural resources is a highly speculative activity which involves a high degree of risk. Accordingly, the Ordinary Shares should be regarded as a highly speculative investment and an investment in the Company should only be made by those with the necessary expertise to evaluate the investment fully.**

**The Group's business, financial condition or results of operations could be materially and adversely affected by any of the risks described below. In such cases, the market price of the Ordinary Shares may decline and investors may lose all or part of their investment.**

**In addition to the other relevant information set out in this document, the Directors consider that the following risk factors, which are not set out in any particular order of priority, magnitude or probability, are of particular relevance to the Group's activities and to any investment in the Company. It should be noted that additional risks and uncertainties not presently known to the Directors or which they currently believe to be immaterial may also have an adverse effect on the Group's operating results, financial condition and prospects. Any one or more of these risk factors could have a materially adverse impact on the value of the Group and should be taken into consideration when assessing the Company.**

**There can be no certainty that the Group will be able to implement successfully the strategy set out in this document. 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.**

#### **RISKS RELATING TO THE BUSINESS**

##### **Risks relating to the Group's activities and the oil and gas industry**

There are numerous factors which may affect the success of the Group's business which are beyond its control including local, national and international economic, legal and political conditions. The Group's business involves a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome. The operations of the Group in developing countries in West and Southern Africa expose it to potential civil unrest and political or currency risks. In particular, recent escalation in civil unrest in the north of Nigeria or a renewal of unrest in the Niger Delta may pose a threat to the operations of the Group and its affiliates in those regions and any intensification in the level of civil unrest may have a material effect on the Group's business, results of operations or financial condition.

##### **Title matters and payment obligations**

There is no guarantee that an unforeseen defect in title, changes in law or change in the interpretation of law or political events will not arise to defeat or impair the claim of the Group to any properties which it currently owns or may acquire which could result in a material adverse effect on the Group, including a reduction in any revenues generated.

##### **The transfer of the Participating Interest in OPL310 is conditional on Ministerial Consent**

Farm Out Completion is conditional upon receipt of Ministerial Consent, which is yet to be obtained. In practice this could take a long time: months, sometimes even years.

Where Ministerial Consent is not received any consideration paid by Mayfair to Afren will not be refunded and Mayfair will have only a 30 per cent. Economic Interest.

### **Economic Interest in OPL310**

From the Economic Date until the date Ministerial Consent is obtained in respect of the transfer to Mayfair of the Participating Interest in OPL310, Mayfair shall hold only an Economic Interest in OPL310. Unless Optimum is party to any agreement giving effect to this arrangement (and amending the Production and Revenue Sharing Agreement to reflect such arrangement), this would only be enforceable as against Afren. The Economic Interest could therefore be characterised not as an interest in OPL310, but as a contractual right enforceable against Afren to obtain production from OPL310. The enforceability of such rights has not been tested by the Nigerian Courts.

Mayfair would not be able to exercise any meaningful control over operations in relation to OPL310 by virtue of having an Economic Interest (its only control would come through various generic restrictive covenants in the Farm Out Agreement).

The Directors believe that the transfer of an Economic Interest such as the 30 per cent. Economic Interest is relatively common practice in Nigeria and have been advised that it does not require Ministerial Consent. There are other examples where a party has an Economic Interest but no Participating Interest in a Petroleum Concession. However, this has not been tested in the courts and if it were determined that Ministerial Consent was required then the transfer would be a breach of the OPL, which could result in the OPL itself (or Mayfair's interest therein) being revoked.

Mayfair's rights in respect of the Economic Interest are dependent on Afren having an interest in OPL310. The Farm Out Agreement contains a restrictive covenant that applies during the period when Mayfair holds the Economic Interest preventing Afren transferring its interest in OPL310, providing Mayfair with appropriate protection provided the Farm Out Agreement does not terminate.

In the event that Mayfair wished to transfer its Economic Interest to a third party, Mayfair would need consent to the transfer from Afren.

### **Uncertainty of terms of the RFSA**

If Ministerial Consent is not obtained within nine months of the Economic Date, Mayfair and Afren shall seek to give effect to the intention of the Farm Out Agreement by executing such agreements as they may consider necessary to reflect their intentions under the Farm Out Agreement, and specifically the RFSA. The rights Mayfair would obtain under the RFSA would be additional support to the Economic Interest it would obtain under the Farm Out Agreement from the Economic Date.

The Farm Out Agreement contains a short term sheet of the RFSA terms. The term sheet provides that Mayfair shall have the rights and obligations of a party to the OPL310 JOA and other Existing Agreements on the terms contemplated in the Farm Out Agreement. The Company has received legal advice that the term sheet as drafted would be enforceable by Mayfair under Nigerian law. However, there is an element of uncertainty as to what the terms of the RFSA would be (and what rights Mayfair may have under it), as the term sheet is not a long form agreement.

Under the RFSA, Mayfair would only be able to enforce its rights against Afren (and not Optimum). Again, this arrangement could be characterised not as an interest in OPL310, but only as contractual rights enforceable against Afren.

The RFSA does not enable Mayfair to obtain control or rights in respect of OPL310 operations as if it had a Participating Interest (eg voting rights in respect of the JOA operating committee and the setting of budgets and work programmes). This is because Mayfair could then be seen as participating in petroleum operations, which would not be permitted without Ministerial Consent. If Mayfair were seen as participating in petroleum operations, that could be a breach of the petroleum legislation (by Afren and potentially Optimum) and could result in the OPL itself (or Mayfair's interest therein) being revoked.

It is not clear when the RFSA (if executed or otherwise enforced) would terminate but logically it would come to an end if and when Ministerial Consent was granted. If Ministerial Consent is never granted the RFSA could theoretically remain in force indefinitely.

Mayfair would also need the consent of Afren to transfer its Economic Interest and any rights under the RFSA.

### **The Company may be forced to issue Ordinary Shares to Afren PLC, potentially substantially diluting existing Shareholders**

If, following a default by Mayfair under the Afren Facility Agreement, Afren PLC serves a notice of acceleration (an “Acceleration Notice”) on Mayfair, then Afren PLC may require the Company, subject to approval by Shareholders, to issue Ordinary Shares to Afren PLC with an aggregate market value equal to the amount outstanding (including accrued interest) under the Afren Facility as at the date of an Acceleration Notice. Any such share issue to Afren PLC would be dilutive of Shareholders and highly dilutive if the aggregate market value of the Ordinary Shares is low at the time of an Acceleration Notice being served. The number of Ordinary Shares to be issued to Afren PLC pursuant to an Acceleration Notice is not subject to any limit, and may potentially be sufficient to give Afren PLC effective control of the Company and to trigger an obligation on Afren PLC to make a mandatory offer in accordance with the mandatory offer provisions of the Company’s articles. Investors should therefore be aware of the potential for a very significant dilution of their shareholdings if Mayfair defaults under the Afren Facility Agreement.

### **Reassignment and retransfer of interest under the Farm Out Agreement and the Afren Facility Agreement**

If the Company fails to issue Ordinary Shares to Afren PLC following an Acceleration Notice within 45 days of an Acceleration Notice, then Mayfair shall reassign that proportion of its interests under the Farm Out Agreement that corresponds to the amount of its outstanding obligations under the Afren Facility Agreement as a percentage of US\$50 million. There is therefore a risk that, if Mayfair defaults under the Afren Facility Agreement, it will be forced to retransfer some of its interest under the Farm Out Agreement to Afren PLC (or Afren). Since Mayfair’s interest in OPL310 under the Farm Out Agreement represents the Group’s most significant current asset it is likely that any forced reassignment of part of its interest in OPL310 would significantly affect the Group’s overall value and consequently the value of the Ordinary Shares.

### **The Company does not hold a majority of the share capital of Lekoil Nigeria**

The Company holds 40 per cent. of the issued share capital of Lekoil Nigeria with other Nigerian shareholders (the “Nigerian Shareholders”) holding the remaining 60 per cent. The relationship between the Company and the Nigerian Shareholders as regards Lekoil Nigeria is governed by the Shareholders Agreement.

The Shareholders Agreement provides the Company with greater rights over Lekoil Nigeria than a 40 per cent. shareholder would generally expect to have, including the right to appoint directors, the establishment of reserved matters and, most particularly, the right to receive 90 per cent. of any dividend declared or 90 per cent. of any capital which is returned to Lekoil Nigeria’s members.

However, it must be noted the Company is still a minority shareholder in Lekoil Nigeria and will remain so. Decisions made (or not made) by Lekoil Nigeria, which the Company does not and cannot directly control, are likely to have a material impact on the value of the Company’s stake in Lekoil Nigeria.

### **Risk of deadlock in Lekoil Nigeria**

Although the Company benefits from a significant number of control rights in the Shareholders Agreement, these rights are generally negative control rights. The Company cannot generally compel Lekoil Nigeria to follow a particular course of action (although its rights do give it considerable scope to prevent Lekoil Nigeria from making decisions). The Company’s veto rights thus give rise to a potential risk of deadlock in decision making by Lekoil Nigeria.

### **The Company's shareholding in Lekoil Nigeria is capped at 40 per cent.**

The Shareholders Agreement provides that the directors of Lekoil Nigeria must refuse to register a transfer of shares if such a transfer would cause Lekoil Nigeria to cease to be classed as a Nigerian company for the purposes of Nigerian indigenisation legislation including the Local Content Act. The Company is not classed as a Nigerian shareholder and therefore cannot attain a higher shareholding than 40 per cent. (the "LCI Cap").

### **The Company cannot provide further equity funding to Lekoil Nigeria**

Due to the LCI Cap, the Company can only participate in future equity funding of Lekoil Nigeria if the other shareholders in Lekoil Nigeria (or third parties classed as Nigerians for the purposes of Nigerian indigenisation legislation) also participate on a *pro rata* basis. Thus the Company can maintain but not increase its shareholding.

### **Loan funding of Lekoil Nigeria and Mayfair**

The Shareholders Agreement provides that shareholders of Lekoil Nigeria can be asked to contribute further funding by way of debt finance, which will take the form of non-mandatory capital calls on shareholders. Such capital calls may be applied against any of Lekoil Nigeria's shareholders.

The Shareholders Agreement sets out that any funding provided by shareholders pursuant to a capital call should be on an arms' length, market standard, basis although such facility may be on a secured or an unsecured basis.

The Company has put in place the Facility Agreement by which part of the proceeds of Admission will be made available to Mayfair, secured by security which is intended to be granted by Lekoil Nigeria in favour of the Company. Nevertheless, there can be no guarantee that future funding of Lekoil Nigeria, beyond that set out in the Facility Agreement, will be on a secured basis.

### **Reimbursable costs**

Further, the Shareholders Agreement provides for the Company to be entitled to repay certain reimbursable costs incurred by Lekoil Nigeria directly on Lekoil Nigeria's behalf. The Shareholders Agreement specifies that any such reimbursable costs should be at LIBOR plus 8 per cent. and that it is not mandatory for the Company to pay any such reimbursable costs. The Shareholders Agreement does not detail the other terms by which reimbursable costs should be advanced nor whether there should be any limits on the amount of funds that Lekoil Nigeria can request from the Company in the form of reimbursable costs.

### **Mayfair does not hold the position of operator in OPL310**

Mayfair will not be the operator of OPL310. This role is performed by Optimum with technical assistance being provided by Afren.

Mayfair will therefore not be in sole control of day to day operations and may not be in control of the timing of future funding requests. Any arrangement with a joint venture partner has the potential risk that the parties will be unable to reach decisions quickly and that this may cause delays. As is usual industry practice under joint operating agreements, the parties have the right to undertake sole risk operations pursuant to which a party may, subject to certain conditions, undertake at its sole risk, cost and expense an operation in OPL310 including the drilling of an exploratory well.

Further, Mayfair is reliant on Optimum acting in accordance with the stated licence terms. Failure to do so may result in the loss of the licence or variation of its terms.

Mayfair is also reliant on Optimum and Afren conducting day to day operations in an environmentally safe way so as to prevent any unexpected environmental liability being created.

### **OPL310 joint venture documentation**

The Existing Agreements govern the relationship between the OPL310 partners (currently, Afren and Optimum only).

Mayfair intends to become party to the Existing Agreements with effect from when it obtains its Participating Interest in OPL310 and is in advanced negotiations to join as a party, conditional upon the receipt of Ministerial Consent, which will require certain amendments to the Existing Agreements which will be implemented by Afren, Optimum and Mayfair signing the Amended and Restated Agreements. A description of the draft Amended and Restated Agreements (as they currently stand) is set out in paragraphs 13.1(d) – (g) of Part 6 of this document.

Optimum has signed a formal letter of consent for Mayfair to become party to the Amended and Restated Agreements. However, there is no guarantee the Amended and Restated Agreements will be executed by the time Mayfair obtains its Participating Interest in OPL310 or that if the Amended and Restated Agreements are executed they will be on the terms currently anticipated. If the Amended and Restated Agreements are not executed, this would not affect Mayfair's entitlement to its ultimate 30 per cent. Economic Interest or to its 17.14 per cent. Participating Interest. It would however leave some uncertainty in the contractual framework, principally in respect of operations and liabilities.

On operational aspects, the OPL310 JOA (and to a lesser extent the TAA) determines the basis on which operations are conducted, providing a degree of oversight and control over the party conducting operations (for example operations, budgets, expenditure and participation in the operating committee). If Mayfair does not become a party to the Amended and Restated Agreements, it will not be able to participate directly in such matters (although this is no different from Mayfair's position before Ministerial Consent is received in respect of its Economic Interest).

On liability, the OPL310 JOA allocates liabilities between the parties according to their interest. Therefore if Mayfair incurs liability in respect of OPL310 and it is not a party to the Amended and Restated Agreements, it may be difficult for Mayfair to control how liability is allocated between the OPL310 partners. In practice, however, third parties are more likely to pursue the operator than a non-operator party, and so not being a party to the Amended and Restated Agreements could potentially favour Mayfair, since Mayfair will not be the operator and Afren (as the party conducting operations and most likely to incur liability) would have no basis on which to recover such liability from Mayfair (with the exception of certain decommissioning and environmental liabilities provided for in the Farm Out Agreement).

### **The Company and Lekoil Nigeria's relationship with the Nigerian Shareholders**

The Company is working with the Nigerian Shareholders in the operation of Lekoil Nigeria. Any arrangement with a joint venture partner has the potential for delays and disagreements which are inherent in a multi-party relationship. The structure of the relationship with the Nigerian Shareholders has been designed to conform with existing law and policy which would allow Lekoil Nigeria to be treated as an indigenous company. However, relevant law and policy in Nigeria may change in the future and this may affect Lekoil Nigeria's indigenous status. Any change may have a material adverse effect on Lekoil Nigeria's profitability and access to resources in Nigeria.

In Nigeria if an entity qualifies as an indigenous company it may take advantage of benefits enshrined in the Local Content Act which gives priority to indigenous companies in the award of any licence area. The Company has been advised that the number and identity of the Nigerian Shareholders of Lekoil Nigeria does qualify it as such but the Company cannot guarantee against the qualification criteria being challenged (including with retrospective effect) or Lekoil Nigeria's qualification being challenged by Lekoil Nigeria's competitors and resulting in the loss of its indigenous status. This may have an adverse effect on the Company if the Company was unable (in accordance with normal practice) to establish an alternative indigenous vehicle or alternative local partners through which to bid for new licence area awards.

Were the Company to increase the percentage of its shareholding in Lekoil Nigeria, Lekoil Nigeria would no longer qualify as an indigenous company for the purposes of the Local Content Act. Therefore it is prevented from doing so under the Shareholders Agreement.

### **Risk of conflict of interest for Lekan and other Director Shareholders in Lekoil Nigeria**

Lekan and other directors of the Company may have conflicts between their duties as officers and representatives of the Company and directors of other companies in the Group (particularly Lekoil Nigeria). Any conflict situation which develops will be subject to the procedures and remedies under the companies law applicable to the relevant company and its constitutional documents.

### **Reassignment and retransfer of interest under the Farm Out Agreement**

Unrelated and separately to Afren PLC's rights under the Afren Facility Agreement, if Mayfair fails to pay any of the Farm-In Costs due under the Farm Out Agreement, Afren has the right to terminate the agreement. There is no *de minimis* requirement, so Afren would be entitled to terminate on Mayfair's failure to pay any costs when due, regardless of how small the amount or delay. Following termination by Afren, Mayfair must reassign and retransfer any interest acquired back to Afren.

Under the Farm Out Agreement, Afren has no obligation to make any payments to Mayfair on any reassignment or retransfer unless specific circumstances apply. Such circumstances are where Mayfair has paid part of the Farm-In Costs prior to termination and the date production commences. In this instance, Afren is required to pay Mayfair an amount equal to its share of the amounts paid out of Afren's oil production revenues. Therefore there is a risk Mayfair might not be able to recover any costs from Afren following termination of the Farm Out Agreement.

### **Minimum holding under the JOA**

The OPL310 JOA contains a provision which prohibits any transfer of Participating Interests by the parties which would result in any party holding a Participating Interest of less than 10 per cent. As Mayfair would own a Participating Interest of 17.14 per cent., this would mean that Mayfair would not be able to assign part of its Participating Interest such that its remaining Participating Interest fell below 10 per cent. This potentially restricts Mayfair's future commercial options and therefore the valuation attached to such Participating Interest.

### **Breach of PEL 0059**

Breach of the 2514 Petroleum Agreement is a breach of PEL 0059. The Namibian Minister may cancel the licence as a result of such breach. The licensees are currently in breach of the following obligations in the 2514 Petroleum Agreement to:

- (a) deliver to the Namibian Minister a bank guarantee relating to a proportion of the minimum payment obligations of the licensees for the initial period within 30 days of signing. Lekoil Namibia has not delivered the bank guarantee to the Namibian Minister (although this bank guarantee has been issued);
- (b) deliver an unconditional performance guarantee to the Namibian Minister on or before the date of signature. The licensees have failed to deliver the performance guarantee;
- (c) appoint a general manager and deputy general manager for exploration operations within 90 days of signing. The licensees have failed to do this;
- (d) put in place the applicable insurance policies required. The insurances are not in place; and
- (e) prepare two Environmental Impact Assessment Studies. No studies have been carried out. The first study must be conducted and completed before drilling can commence.

Lekoil Namibia paid the annual surface fees on issue of the licence in accordance with the amount required under a letter dated 20 June 2012 from the Petroleum Commissioner in Namibia. The amount paid in accordance with the letter was lower than the amount due calculated using the formula in the 2514 Petroleum Agreement. The licensees may therefore be in breach of this obligation in the 2514 Petroleum Agreement.

The Namibian Minister must follow a specified procedure to terminate the licence, including giving the licensees notice of the wish to cancel the licence. The licensees then have a period in which to make

representations and remedy the breach before the Namibian Minister can terminate the licence. Lekoil Namibia has confirmed that it has not received any cancellation notices.

#### **PEL 0059: no joint operating agreement**

The licensees are jointly and severally liable to the Namibian Government under the 2514 Petroleum Agreement and PEL 0059. That means that, from Lekoil Namibia's perspective, if any other licensee does not fulfil its obligations to the Namibian Government, Lekoil Namibia could be liable to do so in its place. This is not unusual in the oil and gas industry. However, it is usual for the licensees to enter into a joint operating agreement (or similar) to (i) allocate liabilities between them (the usual position is that a licensee is liable for its Participating Interest share) and (ii) determine how operations will be carried out (and the liability regime relating to operations).

In respect of liabilities, the usual position is that the licensees agree to allocate liabilities between themselves in proportion to their Participating Interest share – so if one licensee picks up liability in excess of its share it is reimbursed by the others in proportion to their respective Participating Interest share. In respect of operations, usually one of the licensees would be appointed operator to conduct operations on behalf of all the licensees. There would be controls on the scope and manner of the operator's conduct (for example an operating committee made up of representatives from all licensees would typically agree work programmes and budgets); but the operator usually carries no liability beyond its Participating Interest share (save in exceptional circumstances) and operations would be jointly funded by the licensees.

Lekoil Namibia is the appointed operator under the 2514 Petroleum Agreement. However, there is no Joint Operating Agreement. Therefore there is no mechanism for Lekoil Namibia to be funded to carry out operations; and it is not clear what authority Lekoil Namibia has to conduct operations and incur costs on behalf of all the licensees for which it would (except in respect of its Participating Interest share) be expected to be reimbursed. Further, it is not clear that if Lekoil Namibia incurs liability beyond its Participating Interest share (eg if a third party makes a claim against Lekoil Namibia in respect of anything related to PEL 0059 operations) it will be entitled to be reimbursed by the other licensees. This could mean Lekoil Namibia could potentially be left carrying all costs and liabilities incurred in relation to PEL 0059.

#### **Availability of future funding**

In the event that the Ogo-1 Well is successful, the Company will review its strategy and may be required to raise further funds in order to meet future development costs. Should the Company not be able to access further funding, for whatever reason, it risks failing to make payments required of it by the JOA and may be, as a result, required to surrender its interest in OPL310.

#### **The Ogo-1 Well is not successful**

Should the Ogo-1 Well not be successful, the Company will review its future strategy, funding requirements and cost structure and may elect to implement significant cost rationalisation in order to preserve working capital.

#### **Oversight of local partners**

Doing business in Nigeria, Namibia and other countries in Africa often involves partnering with local companies and citizens of these countries. This is often required to comply with indigenous share ownership requirements and may also provide a beneficial tax structure for the Company. None of the Company, Lekoil Nigeria, Lekoil Namibia or any future joint venture company established by the Company has day-to-day control over these local companies and individuals and cannot be responsible for their actions. It is possible that from time to time the local partner may be subject to allegations relating to its relationship with government and regulators or to the local partner's business and other conduct. Where allegations about a local partner surface, it may reflect badly on the Company and its joint venture company, irrespective of whether the allegations are true or false.

As stated above, the Company places considerable reliance on its local partners and should the local partners be unable to carry on their business affairs for whatever reason, or act in a way which is detrimental to, *inter*

*alia*, the Company's assets, operations or relationships, there could be a material adverse impact on the Company.

### **Early stage of operations**

The Group's operations are at an early stage of development and future success will depend on the Directors' ability to successfully manage and exploit the current asset portfolio and to take advantage of further opportunities which may arise. There can be no guarantee that the Group can or will be able to, or that it will be commercially advantageous for the Group to, develop its assets.

An investment in the Company is subject to certain risks related to the nature of the Company's business in the acquisition, exploitation, development and production of oil and natural gas assets and their early stage of development. The Company has a limited operating history and no history of positive earnings, and there can be no assurance that the Company's business will be successful or profitable.

Further, the Group has no assets producing positive cash flow and its ultimate success will depend on, *inter alia*, the Group's success in discovering oil, the Directors' ability to implement their strategy, generate cash flow from economically viable projects and access equity markets. Whilst the Directors are optimistic about the Group's prospects, there is no certainty that sustainable revenue streams and sustainable profitability will be achieved. The Group will not generate any material income until production has successfully commenced or producing assets have been acquired and in the meantime the Group will continue to expend its cash reserves and may, in due course, need to raise debt or additional equity capital.

### **Governmental relations may change**

To protect the Group's licences and permits to operate and its ability to secure new resources it is important that the Group should maintain strong positive relationships with the governments of, 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 any of the risk factors described in this document materialising, could harm the Group's reputation, which could, in turn, impact the Group's licences, financing and access to new opportunities.

Although the Company believes it has good relations with the Nigerian and Namibian governments, there can be no assurance that the actions of present or future governments in Nigeria and/or Namibia and governments of other countries in which the Company may operate, directly or indirectly, in the future, will not materially adversely affect the business or financial condition of the Company.

### **High levels of competition for acquisition of oil and gas assets**

The oil and natural gas industry is competitive and particularly so in such a basin as the Dahomey-Benin Basin. There is strong competition for the discovery and acquisition of assets considered to have commercial potential as well as for the contracting of equipment and the recruitment and retention of skilled personnel. The Company will compete with a substantial number of other companies, many of whom have greater financial resources. Many such companies not only explore for and produce hydrocarbons, but also carry on refining operations and market petroleum and other products on a worldwide basis. There is also competition between the petroleum industry and other industries supplying energy and fuel to industrial, commercial and individual customers. Such competition may result in the Company being unable to secure or develop new opportunities or to recruit and retain staff.

### **Domestic gas supply obligation**

Every gas producing asset is subject to a domestic gas supply obligation in Nigeria. The effect of this obligation is that every gas asset holder is obliged to reserve a quantity of natural gas for domestic use. If the Group discovers gas in commercial quantities, the Group would need to hold back a specific quantity of gas from sale on the international market to be used in the domestic market. The price of gas supplied for certain key domestic sectors is regulated. Penalties are payable in respect of non-compliance.

### **Success of acquisition strategy not guaranteed**

Returns ultimately achieved by investors in the Company will be reliant upon the quality and performance of the assets being acquired directly or indirectly by the Company. The success of the Company's strategy also depends on the Directors' ability to identify potential assets, and the acquisition of the assets on favourable terms and to generate value from the assets. No assurance is given that the strategy to be used will be successful under all or any market conditions or that the Company will be able to invest its capital directly or indirectly to acquire assets on attractive terms and to generate returns for investors.

### **Issues resulting from limited due diligence on new acquisitions**

The Group intends in the future to acquire directly or indirectly a number of oil and gas assets in Nigeria and other countries in Africa. The Group performed a review of OPL310 and would intend to do so in respect of any potential assets prior to acquisition. Although it is intended that any such review would be consistent with industry practice, such reviews are inherently incomplete. It is generally not feasible to review in depth every individual well or field involved in each acquisition. Generally, the Group will aim to focus its due diligence efforts on higher-valued assets and will sample the remainder. However, even an in-depth review of all assets and records may not necessarily reveal existing or potential problems, nor will it permit a buyer to become sufficiently familiar with the assets to assess fully their deficiencies and capabilities. The Group may be required to assume directly or indirectly pre-closing liabilities, including environmental liabilities, and may acquire direct or indirect interests in assets on an "as is" basis. Future acquisitions may include offshore licences and/or exploration assets. The acquisition of such assets would provide much greater levels of risk for the Group, because such assets, by their nature, may be more expensive to acquire and more difficult to exploit.

In addition, investments in assets outside Nigeria and Namibia may be more difficult as, although the management of the Group does have significant experience in certain countries, it may have less familiarity with some of the countries in which such assets are located. In addition, as mentioned above, the market for acquiring such assets is by its nature, extremely competitive and finding commercially viable acquisitions may be difficult.

### **Prospective investments and growth strategy execution risks**

In order to expand its operations, the Group may expend significant costs on, *inter alia*, conducting due diligence into potential investment opportunities in further businesses, assets or prospects/projects that may not be successfully completed or result in any acquisition being made, which could have a material adverse effect on its business, operating results and financial condition.

### **Dependence on key executives and personnel**

The future performance of the Group will to a significant extent be dependent on its ability to retain the services and personal connections or contacts of key executives and to attract, recruit, motivate and retain other suitably skilled, qualified and industry experienced personnel to form a high calibre management team. Such key executives are expected to play an important role in the development and growth of the Group, in particular by maintaining good business relationships with regulatory and governmental departments and essential partners, contractors and suppliers.

In addition, attracting and retaining additional skilled personnel may be required to ensure the development of the Group's business. The Group faces significant competition for skilled personnel in the oil and gas sector.

Although certain key executives and personnel have entered, or will subject to Admission enter, into service agreements or letters of appointment with the Group, there can be no assurance that the Group will retain their services. The loss of the services of any of the key executives or personnel may have a material adverse effect on the business, operations, relationships and/or prospects of the Group.

## **Labour**

Certain of the Group's operations may be carried out under potentially hazardous conditions. Whilst the Group intends to operate in accordance with relevant health and safety regulations and requirements, the Group remains susceptible to the possibility that liabilities might arise as a result of accidents or other workforce-related misfortunes, some of which may be beyond the Group's control.

Further, the Group may struggle to recruit engineers and other important members of the workforce required to run a full exploration or appraisal programme. Shortages of labour, or of skilled workers, may cause delays or other stoppages during exploration and appraisal activities.

## **Risks associated with the need to maintain an effective system of internal controls**

The Group faces risks frequently encountered by developing companies such as under-capitalisation, undercapacity, cash shortages and limited resources. In particular, its future growth and prospects will depend on its ability to manage growth and to continue to maintain, expand and improve operational, financial and management information systems on a timely basis, whilst at the same time maintaining effective cost controls. Any damage to, failure of or inability to maintain, expand and upgrade effective operational, financial and management information systems and internal controls in line with the Group's growth could have a material adverse effect on the Group's business, financial condition and results of operations.

## **Retention of key business relationships**

The Group will rely significantly on strategic relationships with other entities, on good relationships with regulatory and governmental departments and on third parties to provide essential contracting services. There can be no assurance that its existing relationships will continue to be maintained or that new ones will be successfully formed, and the Group could be adversely affected by changes to such relationships or difficulties in forming new ones. Any circumstance which causes the early termination or non-renewal of one or more of these key business alliances or contracts could adversely impact the Group, its business, operating results and prospects.

## **Project development risks**

There can be no assurance that the Group will be able to manage effectively the expansion of its operations or that the Group's current personnel, systems, procedures and controls will be adequate to support the Group's operations. Any failure of the Board to manage effectively the Group's growth and development could have a material adverse effect on the Group's business, financial condition and results of operations. There is no certainty that all or, indeed, any of the elements of the Group's current strategy will develop as anticipated and that the Group will be profitable.

## **Tax risks**

Each member of the Group is subject to sales, employment and corporation taxes and the payment of certain royalties in their respective local jurisdictions. The application of such taxes may change over time due to changes in laws, regulations or interpretations by the relevant tax authorities. Whilst no material changes are anticipated in such taxes any such changes may have a material adverse effect on the Group's financial condition and results of operations.

## **Exchange rate fluctuations**

Currency fluctuations may affect the Group's operating cash flow since certain of its costs and revenues are likely to be denominated in currencies other than Pounds Sterling such as US Dollars. Fluctuations in exchange rates between currencies in which the Group operates may cause fluctuations in its financial results which are not necessarily related to its underlying operations. The Group does not currently have a foreign currency hedging policy in place. If and when appropriate, the adoption of such a policy will be considered by the Board.

### **Credit market conditions**

Recent events in the credit markets have significantly restricted the supply of credit to the industry, as financial institutions have applied more stringent lending criteria or exited the market entirely. If current market conditions worsen, it will be more costly and more difficult for the Group to secure any significant debt facilities or indeed such facilities may no longer be available.

### **Market perception**

Market perception of junior exploration and extraction companies, in particular those operating in energy markets, as well as all oil and gas companies in general, may change, which could impact on the value of investors' holdings and the ability of the Group to raise further funds through the issue of further Ordinary Shares in the Company or otherwise.

### **Insurance coverage and uninsured risks**

The Group insures its operations in accordance with industry practice and plans to insure the risks it considers appropriate for the Group's needs and circumstances. However, the Group may elect not to have insurance for certain risks, due to the high premium costs associated with insuring those risks or for various other reasons, including an assessment in some cases that the risks are remote.

No assurance can be given that the Group will be able to obtain insurance coverage at reasonable rates (or at all), or that any coverage it or the relevant operator obtains and proceeds of insurance will be adequate and available to cover any claims arising. The Group may become subject to liability for pollution, blow-outs or other hazards against which it has not insured or cannot insure, including those in respect of past activities for which it was not responsible. Any indemnities the Group may receive from such parties may be difficult to enforce if such sub-contractors, operators or joint venture partners lack adequate resources. In the event that insurance coverage is not available or the Group's insurance is insufficient to fully cover any losses, claims and/or liabilities incurred, or indemnities are difficult to enforce, the Group's business and operations, financial results or financial position may be disrupted and adversely affected.

The payment by the Group's insurers of any insurance claims may result in increases in the premiums payable by the Group for its insurance cover and adversely affect the Group's financial performance. In the future, some or all of the Group's insurance coverage may become unavailable or prohibitively expensive.

### **Functioning insurance market**

Operational insurance policies are usually placed in one year contracts and the insurance market can withdraw cover for certain risks, which can greatly increase the costs of risk transfer. Such increases are often driven by factors unrelated to the Group such as well control elsewhere in the world and wind storm damage.

### **Bank default**

Recent credit market events have demonstrated the possibility of banks, previously thought to be secure, defaulting on their deposits. A good rating from a reputable rating agency does not provide adequate protection against default risk and as a corporate depositor the Group may fall outside any deposit protection schemes. However, if one or more of the Group's banks defaults on its deposits it would have a material adverse effect on the Group's ability to fund its commitments. In such an economic environment the Group would be unlikely to be able to sell assets at reasonable values or raise equity finance and consequently might be unable to continue its business.

### **Future litigation**

From time to time, the Group may be subject, directly or indirectly, to litigation arising out of its proposed operations. Damages claimed under such litigation may be material or may be indeterminate, and the outcome of such litigation may materially impact the Group's business, results of operations or financial condition. While the Group assesses the merits of each lawsuit and defends itself accordingly, it may be

required to incur significant expenses or devote significant resources to defending itself against such litigation. In addition, the adverse publicity surrounding such claims may have a material adverse effect on the Group's business.

## **GENERAL EXPLORATION, DEVELOPMENT AND PRODUCTION RISKS**

### **Exploration, development and production risks**

There can be no guarantee that any hydrocarbons discovered will be developed into profitable production, or that hydrocarbons will be discovered in commercial quantities or developed to profitable production. The business of exploration for, and development and exploitation of, hydrocarbon deposits is speculative and involves a high degree of risk, which even a combination of careful evaluation, experience and knowledge may not eliminate. Hydrocarbon deposits assessed by the Group may not ultimately contain economically recoverable volumes of resources and even if they do, delays in the construction and commissioning of production projects or other technical difficulties may result in any projected target dates for production being delayed or further capital expenditure being required.

The operations and planned drilling activities of the Group and its partners may be disrupted, curtailed, delayed or cancelled by a variety of risks and hazards which are beyond the control of the Group, including unusual or unexpected geological formations, formation pressures, geotechnical and seismic factors, environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures or discharge of toxic gases, industrial accidents, occupational and health hazards, technical failures, mechanical difficulties, equipment shortages, labour disputes, fires, power outages, compliance with governmental requirements and extended interruptions due to inclement or hazardous weather and ocean conditions, explosions, blow-outs, pipe failure and other acts of God. Any one of these risks and hazards could result in work stoppages, damage to, or destruction of, the Group's or its partners' facilities, personal injury or loss of life, severe damage to or destruction of property, environmental damage or pollution, clean-up responsibilities, regulatory investigation and penalties, business interruption, monetary losses and possible legal liability which could have a material adverse impact on the business, operations and financial performance of the Group. Although precautions to minimise risk are taken, even a combination of careful evaluation, experience and knowledge may not eliminate all of the hazards and risks. In addition, not all of these risks are insurable.

As is common with many exploration ventures, there is uncertainty and therefore risk associated with the Group's operating parameters and costs which can be difficult to predict and are often affected by factors outside the Group's control. Few exploration assets are ultimately developed into producing assets. There can be no guarantee that any estimates of quantities of hydrocarbons discovered by the Group will be available to exploit or extract. If reserves are developed, it can take significant expenditure and a number of years from the initial phases of drilling and identification of hydrocarbons until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish hydrocarbon reserves through drilling and, in the case of new properties, to construct processing facilities and other relevant infrastructure. With many natural resources operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions.

### **Hydrocarbon resource and reserve estimates**

No assurance can be given that hydrocarbon resources and reserves reported by the Group in the future are present as estimated, will be recovered at the rates estimated or that they can be brought into profitable production. Hydrocarbon resource and reserve estimates may require revisions and/or changes (either up or down) based on actual production experience and in light of the prevailing market price of oil and gas. A decline in the market price for oil and gas could render reserves uneconomic to recover and may ultimately result in a reclassification of reserves as resources.

Unless stated otherwise, the hydrocarbon resources data contained in this document is taken from the Competent Person's Report. The resources data contained in this document has been certified by the Competent Person unless stated otherwise. There are uncertainties inherent in estimating the quantity of

resources and reserves and in projecting future rates of production, including factors beyond the Group's control. Estimating the amount of hydrocarbon resources and reserves is an interpretive process and, in addition, results of drilling, testing and production subsequent to the date of an estimate may result in material revisions to original estimates.

The hydrocarbon resources data contained in this document and in the Competent Person's Report are estimates only and should not be construed as representing exact quantities. The nature of resource quantification studies means that there can be no guarantee that estimates of quantities and quality of the resources disclosed will be available for extraction. Any resource estimates contained in this document are based on production data, prices, costs, ownership, geophysical, geological and engineering data, and other information assembled by the Group (which it may not necessarily have produced). The estimates may prove to be incorrect and potential investors should not place reliance on the forward looking statements contained in this document (including data included in the Competent Person's Report or taken from the Competent Person's Report and whether expressed to have been certified by the Competent Person or otherwise) concerning the Group's resources and reserves or production levels.

If the assumptions upon which the estimates of the Group's hydrocarbon resources have been based prove to be incorrect, the Group (or the operator of an asset in which the Group has an interest) may be unable to recover and produce the estimated levels or quality of hydrocarbons set out in this document and the Group's business, prospects, financial condition or results of operations could be materially and adversely affected.

#### **Capital expenditure estimates may not be accurate**

Estimated capital expenditure requirements (for example, for OPL310) are estimates based on anticipated costs and are made on certain assumptions. Should the Group's capital expenditure requirements turn out to be higher than currently anticipated (for example, if there are unanticipated difficulties in drilling or connecting to infrastructure or price rises) the Group or its partners may need to seek additional funds which it may not be able to secure on reasonable commercial terms to satisfy the increased capital expenditure requirements. If this happens, the Group's business, cash flow, financial condition and operations may be materially adversely affected.

#### **Appraisal and development results may be unpredictable**

Appraisal results for discoveries are also uncertain. Appraisal and development activities involving the drilling of wells across a field may be unpredictable and not result in the outcome planned, targeted or predicted, as only by extensive testing can the properties of the entire field be fully understood.

#### **Production operations may produce unforeseen issues and drilling activities may not be successful**

The planned production operations at OPL310 involve risks common to the industry, including blowouts, oil spills, explosions, fires, equipment damage or failure, natural disasters, geological uncertainties, unusual or unexpected rock formations and abnormal geological pressures. In the event that any of these occur, environmental damage, injury to persons and loss of life, failure to produce oil or gas in commercial quantities or an inability to fully produce discovered reserves could result. Drilling activities may be unsuccessful and the actual costs incurred in drilling, operating wells and completing well workovers may exceed budget. There may be a requirement to curtail, delay or cancel any drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment. The occurrence of any of these events could have a material adverse effect on the Group's business, prospects, financial condition and operations.

#### **Exploration activities are expensive and there is no guarantee of success**

Exploration activities are capital intensive and their successful outcome cannot be assured. The Group intends to undertake exploration activities and incur significant costs with no guarantee that such expenditures will result in the discovery of commercially deliverable oil or gas. The Group intends to explore in geographic areas where environmental conditions are challenging and costs can be high. The costs of

drilling, completing and operating wells are often uncertain. As a result, there may be cost overruns or requirements to curtail, delay or cancel drilling operations because of many factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions, compliance with environmental regulations, governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment. Capital expenditure commitments may vary (or be increased) as a result of actual exploration performance. The risk of incurring such costs and the failure of such exploration may adversely affect the Company's cash position and profitability.

This risk factor is not intended to qualify the working capital statement set out at paragraph 14 of Part 6 of this document.

#### **Increase in drilling costs and the availability of drilling equipment**

The oil and gas industry historically has experienced periods of rapid cost increases. Increases in the cost of exploration and development would affect the Group's ability to invest directly or indirectly in prospects and to purchase or hire equipment, supplies and services. In addition, the availability of drilling rigs and other equipment and services is affected by the level and location of drilling activity around the world. An increase in drilling operations outside or in the Group's intended area of operations may reduce the availability of equipment and services to the Group and to the companies with which it operates. The reduced availability of equipment and services may delay the Group's ability, directly or indirectly, to exploit reserves and adversely affect the Group's operations and profitability.

#### **Delays in production, marketing and transportation**

Various production, marketing and transportation conditions may cause delays in oil production and adversely affect the Group's business. Drilling wells in areas remote from distribution and production facilities may delay production from those wells until sufficient reserves are established to justify expenditure on construction of the necessary transportation and production facilities. The Group's inability directly or indirectly to complete wells in a timely manner would result in production delays.

The marketability and price of oil and natural gas that may directly or indirectly be acquired or discovered by the Group will be affected by numerous factors beyond the control of the Group. The Group is also subject to market fluctuations in the prices of oil and natural gas, deliverability uncertainties related to the proximity of reserves to adequate pipeline and processing facilities, and extensive government regulations relating to price, taxes, royalties, licences, land tenure, allowable production, the export of oil and natural gas, and many other aspects of the oil and natural gas business. Moreover, weather conditions may impede the transportation and delivery of oil by sea. Any or all of these factors may result in an adverse impact on the financial returns anticipated by the Group.

#### **Failure to meet contractual work commitments may lead to penalties**

The Group may, indirectly, be subject to contractual work commitments, from time to time, which may include minimum work programmes to be fulfilled within certain time restraints. Specifically these commitments may cover certain depths of wells to be drilled, seismic surveys to be performed and other data acquisition. Failure to comply with such obligations, whether inadvertent or otherwise, may lead to fines, penalties, restrictions and withdrawal of licences with consequent material adverse effects.

#### **Interruptions in availability of exploration, production or supply infrastructure**

The Group may suffer, indirectly, from delays or interruptions due to lack of availability of drilling rigs or construction of infrastructure, including pipelines, storage tanks and other facilities, which may adversely impact the operations and could lead to fines, penalties and criminal sanctions against the Group and/or its officers or its current or future licences or interests being terminated. Delays in obtaining licences, permissions and approvals required by the Group or its partners in the pursuance of its business objectives could likewise have a material adverse impact on the Group's business and the results of its operations.

### **Third party contractors and providers of capital equipment are in short supply and can be expensive**

The contracting or leasing services and equipment from third-party providers and suppliers may be problematic in that such equipment and services can be in short supply 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. This may, therefore, have an adverse effect on the Group's business. In addition, the failure of a third party provider or supplier of equipment or services could have a material adverse impact on the Group's business and the results of its operations.

### **Decommissioning costs may be much greater than initially estimated**

Leaseholders are invariably obliged under the terms of relevant leases or local law to dismantle and remove equipment, cap or seal wells and generally make good production sites. Decommissioning estimates are based on facts and circumstances known at the time of estimation. No guarantee can be given that such provisions shall in due course turn out to be sufficient.

### **Risk of loss of oil and gas rights**

The Group's activities will be dependent, indirectly, upon the grant, renewal and maintenance of appropriate leases, licences, concessions, permits and regulatory consents which may not be granted or may be withdrawn or made subject to qualifications. Also, in its proposed blocks, the Group is a joint interest holder with other parties over which it has no control. A block or authorisation may be revoked by the relevant regulatory authority if, *inter alia*, any interest holder is no longer deemed to be financially credible or if one of the joint interest holders defaults on its block obligations. Although the Group believes that the authorisations in relation to all of the Group's interests in Nigeria and Namibia will be granted, will not be withdrawn and will be renewed following expiry (as the case may be), there can be no guarantee that such authorisations will not, in the future, be withdrawn, fail to be renewed or granted. There can be no assurance as to the terms of such future grants or renewals.

### **Natural disasters**

Any interest held by the Group is subject to the impacts of any natural disaster such as earthquakes, epidemics, fires and floods etc. No assurance can be given that the Group will not be affected by future natural disasters.

### **Environmental factors**

The Group's operations are, and will be, subject to environmental regulation (with regular environmental impact assessments and evaluation of operations required before any permits are granted to it) in Nigeria and any other regions in which the Group may operate. Environmental regulations are likely to evolve in a manner that will require stricter standards and enforcement measures being implemented, increases in fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees. Compliance with environmental regulations could increase the Group's costs. Should the Group's operations not be able to comply with this mandate, financial penalties may be levied. Environmental legislation can provide for restrictions and prohibitions on spills, releases of emissions of various substances produced in association with oil, condensate and natural gas operations. In addition, certain types of operations may require the submission and approval of environmental impact assessments. The Group's operations will be subject to such environmental policies and legislation.

Environmental legislation and policy is periodically amended. Such amendments may result in stricter standards of enforcement and in more stringent fines and penalties for non-compliance. Environmental assessments of existing and proposed projects may carry a heightened degree of responsibility for companies and their directors, officers and employees. The costs of compliance associated with changes in environmental regulations could require significant expenditure, and breaches of such regulations may result in the imposition of material fines and penalties. In an extreme case, such regulations may result in temporary or permanent suspension of production operations. There can be no assurance that these

environmental costs or effects will not have a materially adverse effect on the Group's future financial condition or results of operations.

## **RISKS RELATING TO NIGERIA AND AFRICA**

### **Terrorism, militant activity and war**

Militant activity is a major problem in the Niger Delta region of Nigeria, where a range of militant groups with differing goals operate. The main militant group in the region is the ethnic-Ijaw Movement for the Emancipation of the Niger Delta ("MEND"), which claims to be fighting for equitable redistribution of oil revenues and compensation of the oil and gas producing communities. Since MEND emerged in 2006, attacks and kidnappings have made the core Niger Delta states of Rivers, Delta and Bayelsa challenging operating environments for companies, particularly for companies in the oil and gas industry, which have been the main target of attacks. The security situation remains volatile in the Niger Delta region. Despite the Niger Delta Amnesty Programme of 2009 and a surrender of weapons, militant and criminal groups do continue to operate in the region and are capable of carrying out armed attacks. While security installations and personnel remain the primary targets for any such incidents, oil and gas companies, such as the Nigerian affiliates of the Company and its employees, may be singled out.

Most oil operators in the region have reduced operations in recent years because of persistent community unrest and the direct threat of abduction, extortion and robbery. The security environment in the region is likely to remain uncertain in spite of a government strategy to resolve insecurity through the Niger Delta Amnesty Programme. If the Nigerian affiliates of the Company or its employees are the subject of any attacks, kidnappings or other security threats, this could have a material adverse effect on the Company's operations in Nigeria.

Following the election of Dr. Goodluck Jonathan as president of the Federal Republic of Nigeria in April 2011, most of the purported members of MEND have committed to support the presidency through improved security and stability in the Niger Delta region. Since then, security and stability have improved significantly but there can be no guarantee that this will continue.

The Islamic militant group Jama'atu Ahlis Sunna Lidda'awati wal-Jihad (known as 'Boko Haram') has launched a series of attacks in northern Nigeria. The threat of similar groups from northern Nigeria is likely to remain whilst economic and educational disparity between the north and south of the country continues. It is quite possible that there will be further bombing attacks, and if such attacks escalate, oil installations may be targeted. Such activity may have a significant impact on the Company.

The potential near-term and long-term effects of terrorist and militant activities on the Group's business, including the possibility that these could escalate into war, are uncertain; and the Company may not be able to foresee events that could have adverse effects on its business.

### **Strikes affecting the operations of the Group in Nigeria**

In recent years, Nigeria has been subject to countrywide strikes which have brought the country to a standstill. There can be no certainty that such strikes will not occur again and if they were to become frequent, this could result in significant delays to the operations of OPL310 and other assets which may be acquired by the Company and in turn have a significant negative impact on the financial position of the Group.

### **Risk of crime and corruption**

Countries in West Africa experience high levels of criminal activity and governmental and business corruption. Oil and gas companies operating in West Africa may be particular targets of criminal or terrorist actions. Criminal, corrupt or terrorist action against the Group and its directly or indirectly held properties or facilities could have a material adverse effect on the Group's business, results of operations or financial condition. In addition, the fear of criminal or terrorist actions against the Group could have an adverse effect on the ability of the Group to adequately staff and/or manage its operations or could substantially increase the costs of doing so.

The Company is not aware of any current or threatened investigations relating to or any existing adverse findings against the Group, its directors, officers or employees. If any such investigations are made and substantiated in the future against the Group, its directors, officers, employees or (potentially) against its joint venture partners, or such persons are found to be involved in corruption or other illegal activity, this could result in criminal or civil penalties, including substantial monetary fines, against the Group, its directors, officers or employees. Any such findings in the future could damage the Group's reputation and its ability to do business, including by affecting its rights under any licences it may have acquired or by the loss of key personnel, and could adversely affect its financial condition and results of operations.

Furthermore, alleged or actual involvement in corrupt practices or other illegal activities by the joint venture partners of the Group, or others with whom the Group directly or indirectly conducts business, could also damage the Group's reputation and business and adversely affect the Group's financial condition and results of operations. The UK Bribery Act 2010 (the "The Bribery Act") came into force in July 2011. Under the terms of The Bribery Act, an unlimited fine may be imposed on companies (which could potentially include the Company) where they have failed to take appropriate steps ("Adequate Procedures") to ensure that the Company and its associated persons, as defined in The Bribery Act (including, but not limited to, employees, subsidiaries, joint ventures and agents) are not involved in any corrupt practices. There is concern in the oil and gas industry that, following the letter of the law, The Bribery Act prohibits certain practices which are not covered by the US Foreign Corrupt Practices Act 1977 (the "FCPA"), but which are regarded as standard industry practice (for example, facilitation payments).

The issue of facilitation payments is covered by international anti-bribery legislation (such as The Bribery Act). The Group is also subject to FCPA, which prohibits bribery of foreign public officials. The FCPA has wide extraterritorial application and is prosecuted vigorously by US authorities.

#### **Underdeveloped infrastructure**

Underdeveloped infrastructure (in particular road, rail and air) in West Africa may constrain the speed at which the Group can grow.

#### **Local financial market risk**

The disruptions recently experienced in the international and domestic capital markets have led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in a reduction of available financing.

Companies doing business in countries in the emerging markets, such as Nigeria, may be particularly susceptible to these disruptions and reductions in the availability of credit or increases in financing costs. This could result in such companies experiencing financial difficulty. In addition, the availability of credit to entities operating within the emerging and developing markets is significantly influenced by levels of investor confidence in such markets as a whole. As such, any factors that impact market confidence (for example, a decrease in credit ratings, state or central bank intervention in one market or terrorist activity and conflict) could affect the price or availability of funding for entities within any of these markets.

Since the advent of the global economic crisis in 2008, certain emerging market economies have been, and may continue to be, adversely affected by market downturns and economic slow downs elsewhere in the world. As has happened in the past, financial problems outside countries with emerging or developing economies or an increase in the perceived risks associated with investing in such economies could dampen foreign investment in and adversely affect the economies of these countries (including, for example, countries in which the Group operates).

Investors in emerging markets, such as Nigeria or Namibia, should, therefore, be aware that these markets are subject to greater risk than more developed markets, including, in some cases, significant legal, fiscal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved in an investment in the Company and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging and developing markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved.

### **Political, economic, fiscal, legal, regulatory and social environment risk**

The Group's interests in Nigeria and Namibia are likely to be exposed to political, economic, fiscal, legal, regulatory and social environment risk. The Group's business will involve a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome. These risks include, but are not limited to, corruption, civil strife or labour unrest, armed conflict, terrorism, limitations or price controls on oil exports, and limitations or the imposition of tariffs or duties on imports of certain goods.

The potential operations of the Group in Nigeria are likely to expose it to potential civil unrest and political or currency risk. As a significant oil producer and consumer market of great potential, Nigeria remains a key investment location, though corruption, policy drift and inadequate infrastructure, as well as insecurity in the Niger Delta, present significant risks to business operations in that country. Any intensification in the level of civil strife may have a material adverse effect on the Group's business, results of operations or financial condition.

If the existing body of laws and regulations in Nigeria are interpreted or applied, or relevant discretions exercised, in an inconsistent manner by the courts or applicable regulatory bodies, this could result in ambiguities, inconsistencies and anomalies in the enforcement of such laws and regulations, which, in turn, could hinder the long-term planning efforts of the Group and may create uncertainties in its operating environment.

Exploration and development activities in developing countries may require protracted negotiations with host governments, national oil companies and third parties and may be subject to economic and political considerations such as the risks of war, actions by terrorist or insurgent groups, community disturbances, expropriation, nationalisation, renegotiation, forced change or nullification of existing contracts or royalty rates, unenforceability of contractual rights, changing taxation policies or interpretations, adverse changes to laws (whether of general application or otherwise) or the interpretation thereof, foreign exchange restrictions, inflation, changing political conditions, the death or incapacitation of political leaders, local currency devaluation, currency controls, and foreign governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Any of these factors detailed above or similar factors could have a material adverse effect on the Group's business, results of operations or financial condition. If a dispute arises in connection with operations in developing countries, the Group may be subject to the exclusive jurisdiction of foreign courts or foreign arbitration tribunals or may not be successful in subjecting foreign persons, especially foreign oil ministries and national oil companies, to the jurisdiction of the United Kingdom.

### **Uncertainties in the interpretation and application of laws and regulations**

A number of the Group's principal agreements are governed under Nigerian law. The courts in Nigeria, Namibia and other countries in which the Group intends to directly or indirectly invest or operate may offer less certainty as to the judicial outcome or a more protracted judicial process than is the case in more established economies. Businesses can become involved in lengthy court cases over simple issues when rulings are not clearly defined, and the poor drafting of laws and excessive delays in the legal process for resolving issues or disputes compound such problems. Accordingly, the Company and/or its subsidiaries could face risks, such as: (i) effective legal redress in the courts being more difficult to obtain, whether in respect of a breach of law or regulation, or in an ownership dispute, (ii) a higher degree of discretion on the part of governmental authorities and, therefore, less certainty, (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations, (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions and (v) relative inexperience of the judiciary and courts in such matters.

Enforcement of laws in Nigeria may depend on and be subject to the interpretation placed upon such laws by the relevant local authority, and such authority may adopt an interpretation of an aspect of local law which differs from the advice that has been given to the Company by local lawyers or even previously by the relevant local authority itself. There can be no assurance that contracts, joint ventures, licences or other legal arrangements will not be adversely affected by the actions of government authorities and the effectiveness

of and enforcement of such arrangements in the jurisdiction. The commitment of local businesses, government officials and agencies, and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain and may be susceptible to revision or cancellation, and legal redress may be uncertain or delayed.

In Nigeria and other countries in which the Group intends to directly/indirectly invest or operate, the state asserts ownership of minerals and consequently retains control of (and, in many cases, participates in) the exploration and production of hydrocarbon reserves. Accordingly, the operations of companies in the oil and gas industry may be materially affected by the host government through royalty payments, taxes and regulations, surcharges, value added taxes, production bonuses and other charges to a greater extent than would be the case if their operations were in countries where mineral resources are not state owned and controlled (or where there is no state participation). In addition, transfers of interests typically require government approval, which may delay or otherwise impede such transfers, and the government may impose obligations on companies to complete minimum work within specified timeframes either generally or as a condition to approving such transfers. This could materially affect the Group's stated growth strategy.

The Local Content Act will impact upon the operations of companies in the oil and gas industry in Nigeria. The legislation provides that Nigerian independent operators or indigenous companies shall be given priority in consideration in the award of oil blocks, oil field licences, oil lifting licences and, generally, all projects for which a contract is to be awarded in the oil and gas industry.

All projects or contracts with a budget of more than US\$100 million are required to contain a specific "Labour Clause" mandating a minimum percentage of Nigerian labour involvement. There are also restrictions on the level of expatriate staff employed by oil companies operating in Nigeria. Certain restrictions are also placed on the maintenance of insurance risks outside Nigeria without the written approval of the National Insurance Commission, and there are incentives for the Group to buy goods and services from Nigerian companies. This in practice may mean there is less choice and this may impact the costs of the Group's operations in Nigeria.

#### **Licensing and other regulatory requirements in Nigeria**

The Group's direct and/or indirect intended future operations will be subject to mineral leases, petroleum leases, licences, production sharing contracts, regulations and approvals of governmental authorities for exploration, development, construction, operation, production, marketing, pricing, transportation and storage of oil, taxation and environmental and health and safety matters. The Group cannot guarantee that such documents applied for will be granted or, if granted, will not be subject to possibly onerous conditions. Any changes to exploration, exploration and production, or production licences, regulations and approvals, or their availability to the Group or its associated companies may adversely affect the Group's assets, plans, targets and projections.

The Group will be subject to extensive government laws and regulations governing prices, taxes, royalties, allowable production, waste disposal, pollution control and similar environmental laws, the export of oil and many other aspects of the oil business. There can be no assurance that the actions of present or future governments in Nigeria, or of governments of other countries in which the Group may operate in the future, will not materially adversely challenge the Group's title to any interest it may have in Nigeria (such as OPL310 which is the subject of the Farm Out Agreement) with retrospective effect.

Furthermore, the oil and gas sector in Nigeria is still developing, and there have been a number of changes in policy affecting the sector. Nigeria is pursuing a number of new policy directions with the aim of restructuring its upstream and deregulating its downstream sectors. The adoption of new regulations and the implementation of suggested reforms may be subject to political and economic influences, which could create uncertainty in relevant sectors.

## **Risks associated with the Petroleum Industry Bill**

As at the date of this document the PIB has yet to be passed into law. However, reports indicate that there is renewed interest, on the part of the Nigerian Government, to push through the long-delayed reform legislation.

The PIB seeks to bring together the provisions of several laws regulating the petroleum industry. In addition, the PIB seeks to effect wide reaching changes to the structure of the petroleum industry in Nigeria by creating new regulatory agencies, proposing the implementation of new licensing regimes for activities in both the upstream and downstream petroleum industry, as well as the introduction of a new tax regime in the upstream sector, which will supersede the current regime. It is not clear which provisions of the PIB would apply to existing interests as at the time when the PIB comes into force.

However, as of the date of this document, the current version of the PIB is yet to have been passed into law. The PIB is being considered by the National Assembly and so may not be passed in its current form; and the timing and level of implementation of any of the reforms proposed in the PIB remains uncertain, all of which prevents a proper assessment of the potential impact of the current draft of the PIB on existing interest holders in the oil and gas industry in Nigeria.

The PIB will require upstream producing companies operating in deepwater areas to remit on a monthly basis 10 per cent. of net profits into a newly-established Petroleum Host Community Fund. Net profits is defined in the PIB to mean adjusted profits less royalties, allowable deductions, allowances, Nigerian hydrocarbon tax and companies income tax. Initial calculations of the amounts paid are based on estimations of profits. Any overpayment is credited against the aggregate of royalties, Nigerian hydrocarbon tax and companies income tax. It seems quite possible that this provision in the PIB may apply to existing interests and so could apply to Mayfair or Lekoil Nigeria in respect of OPL310 and Lekoil Nigeria in respect of OPL241 (if eventually acquired). The delay in the PIB has created uncertainty which may have adversely affected the investment in and development of the oil and gas industry in Nigeria, and further delays may adversely affect the Group's operations, strategy and ability to access future funding.

## **Nigerian Government Back-In Rights**

The Nigerian Government is entitled to back-in (i.e. acquire an interest from an interest holder) to a concession where all or part of the relevant block is in water depths of more than 200 metres (pursuant to the Deep Water Block Allocations to Companies (Back-in-Rights) Regulations S.I. 7 of 2003 referred to in Part 1).

OPL310 is partially in water depths of more than 200 metres and so the Nigerian Government is entitled to back-in to OPL310 under those regulations. The rights would be exercised when the OPL is converted to an OML.

The Nigerian Government may acquire five-sixths (rounded up to the nearest whole percentage point) of the relevant interest-holder(s)' interest.

Whilst the law is not completely clear on whose interest the Nigerian Government may back into (i.e. whose interests it may obtain) it would appear, based on Nigerian legal advice, that the Nigerian Government may only back-in to the interest of the company which was originally granted the interest rather than to all companies which hold an interest at the time the rights are exercised. If it is the latter, Mayfair could lose five-sixths of its interest in OPL310.

The relevant regulations indicate the rights apply only to the original grantee of the interest (i.e. in the case of OPL310, Optimum only). This is how the regulations have generally been applied in practice. In addition, Optimum and Afren agreed in both the OPL310 JOA and the Production and Revenue Sharing Agreement that the back-in rights should only apply to the interest held by Optimum and this may influence how the Nigerian Government applies the back-in rights and how a court would interpret the regulations in the context of OPL310. Further, the regulations, whilst relatively unclear, seem to indicate the Nigerian Government could back-in to all parties' interests where there is no production sharing arrangement in place. The Production and Revenue Sharing Agreement is a production sharing arrangement for these purposes.

If the Nigerian Government does back-in, it would first have to negotiate the terms of back-in with the party(ies) whose interest it is obtaining and would have to compensate such party(ies) for its/their expenses incurred on that block (though ultimately the terms of back-in can be determined by the Nigerian Government). It is not clear how this would work if Mayfair had only an Economic Interest and not a Participating Interest at the time. There is therefore a possibility that Mayfair would not be compensated for expenses incurred by Mayfair in respect of OPL310 if the Nigerian Government backs-in in such circumstances. Further, if the Nigerian Government backs-in in such circumstances and acquires five-sixths of Optimum's rights, it would have a 50 per cent. interest in OPL310. That would entitle the Nigerian Government to lift 50 per cent. of the available net production from OPL310, which may mean Mayfair would not be able to obtain its 30 per cent. of net available production agreed pursuant to the Farm Out Agreement. In this instance, Mayfair may be entitled to claim compensation from Afren.

If the Nigerian Government exercises its back in rights, this is expected to be through NNPC (or any successor to NNPC following the passing of the PIB). There is some uncertainty as to how the contractual arrangements governing petroleum operations relating to the OML derived from OPL310 would be amended to reflect the addition of the Nigerian Government entity. It is probable that a production sharing contract would be put in place but this may just be between Optimum and the Nigerian Government entity. If this is the approach adopted there would effectively be two sets of contractual arrangements governing petroleum operations under the OML derived from OPL310 as there would be one set of arrangements governing the relationship between Optimum and NNPC (or any successor) and a separate set of arrangements governing the relationship between Optimum, Afren and, in circumstances where Mayfair has acquired a Participating Interest, Mayfair. This would result in a more complex contractual arrangement than is currently envisaged.

#### **Adverse sovereign action involving expropriation or renationalisation**

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

As with many countries, possible future changes in the government, major policy shifts or increased security arrangements could have, to varying degrees, an adverse effect on the value of investments. These factors could materially adversely affect the Group's business, prospects or financial results.

#### **Foreign operations may be influenced by political, economic and other uncertainties**

The Group's focus is on the direct and/or indirect acquisition of oil and gas assets in Nigeria and elsewhere in West Africa. As a result, the Group may be subject to significant political, economic and other uncertainties, including, but not limited to, sometimes frequent changes in energy policies or the personnel administering them, nationalisation, expropriation of property without fair compensation, cancellation or modification of contract rights, foreign exchange restrictions, currency fluctuations, royalty and tax increases, and other risks arising out of foreign governmental sovereignty over the areas in which the Group's operations are conducted, even though nationalisation and expropriation of property have not happened in Nigeria in recent times and current Nigerian law provides for payment of adequate compensation in such circumstances. Changes in legislation may affect the Group's oil and natural gas direct or indirect exploration and production activities. Laws and policies of the United Kingdom may also adversely affect the Group's international operations as they pertain to foreign trade, taxation and investment.

In the event of a dispute arising in connection with its interests, the Group is likely to be subject to the jurisdiction of the courts of Nigeria and Namibia. The effectiveness of and enforcement of such contracts and relationships with parties in these jurisdictions cannot be assured. Consequently, the Group's exploration, development and production activities could be substantially affected by factors beyond the Group's control, any of which could have a material adverse effect on the Group.

## **RISKS RELATING TO THE COMPANY'S DOMICILE**

The Company is an exempted limited liability company incorporated under the Cayman Act. The Company's corporate affairs are governed by the Articles, as amended and restated from time to time, the Cayman Act and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of the Directors to the Company under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding authority on a court in the Cayman Islands. Law and practice in the Cayman Islands relating to companies is not the same as English law applicable to public limited companies, or that which may have been applicable to Lekoil Nigeria, as a corporation subject to Nigerian law.

### **Disclosure of interests in shares**

Under the Cayman Act, shareholders are not obliged to disclose their interests in a company in the same way as shareholders of certain public companies incorporated in the United Kingdom are required to do. In particular, the Disclosure and Transparency Rules do not apply. The Articles have been amended to incorporate provisions equivalent to those contained in the DTRs, but these may be amended by a resolution of the Shareholders.

Further, unlike English law, Cayman Islands law does not mandate pre-emption rights under which companies issuing new shares for cash must generally offer them to existing shareholders unless shareholders have given authority for them not to do so. However, pre-emption rights are incorporated into the Articles. Where circumstances permit, the Directors intend to consult with the Company's financial and nominated adviser and broker at the time of each proposed offering of new Ordinary Shares for cash, as to whether shareholders should be provided with the opportunity to participate in such offering (and where it would be customary for a company incorporated in England and admitted to AIM to provide such a right).

### **Takeovers**

The Cayman Act does not contain provisions similar to those in the Takeover Code which, among other things, oblige a person or persons acquiring at least 30 per cent. of voting rights in a company to which the Takeover Code applies, to make an offer to acquire the rest of the voting rights. The Articles, however, have been amended to incorporate provisions with similar effect but the Directors have the power to dis-apply those provisions.

### **Money laundering**

The Company is subject to anti-money laundering legislation in the Cayman Islands pursuant to the Proceeds of Crime Law (the "PCL"). Pursuant to the PCL, the Cayman Islands government enacted The Money Laundering Regulations (as amended) (the "Regulations"), which impose specific requirements to prevent the use of the financial system for the purpose of criminal conduct. The Regulations apply to persons conducting relevant financial business and therefore places an onus on the Company to "know your client." Except in relation to certain categories of institutional investors, the Company will require a detailed verification of each investor owning 10 per cent. or more of the paid-up share capital of the Company, such as its identity and the source of the payment used by such investor for purchasing the shares in a manner similar to the obligations imposed under the laws of other major financial centres. In addition, if any person who is resident in the Cayman Islands knows or has a suspicion that a payment to the Company (by way of investment or otherwise) contains the proceeds of criminal conduct, that person must report such suspicion to the Cayman Islands authorities pursuant to the PCL. Failure to disclose can result in penalties and or imprisonment. If the Company were determined by the Cayman Islands government to be in violation of the PCL or the Regulations, the Company, its directors, managers, secretary or other similar officer or a person acting in any such capacity (however designated) could be subject to fines and/or imprisonment. The Company may be subject to similar restrictions in other jurisdictions. Such a violation could materially adversely affect an investment in the Company or cause the cessation of business.

## **INVESTMENT AND AIM RISKS**

### **Share price volatility and liquidity**

Although the Company is applying for the Enlarged Share Capital to be admitted to trading on AIM, there can be no assurance that an active or liquid trading market for the Ordinary Shares will develop or, if developed, that it will be maintained. AIM is a market designed primarily for emerging or smaller growing companies which carry a higher than normal financial risk and tend to experience lower levels of liquidity than larger companies. Accordingly, AIM may not provide the liquidity normally associated with the Official List or some other stock exchanges. The Ordinary Shares may therefore be difficult to sell compared to the shares of companies listed on the Official List and the share price may be subject to greater fluctuations than might otherwise be the case. An investment in shares traded on AIM carries a higher risk than those listed on the Official List.

The Company is principally aiming to achieve capital growth and, therefore, Ordinary Shares may not be suitable as a short-term investment. Consequently, the share price may be subject to greater fluctuation on small volumes of shares traded, and thus the Ordinary Shares may be difficult to sell at a particular price. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. There can be no guarantee that the value of an investment in the Company will increase. Investors may therefore realise less than, or lose all of, their original investment.

The share prices of publicly quoted companies can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares may be influenced by a large number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Group and its operations. These factors include, without limitation, the performance of the Company and the overall stock market, large purchases or sales of Ordinary Shares by other investors, changes in legislation or regulations and changes in general economic, political or regulatory conditions and other factors which are outside of the control of the Company.

Shareholders may sell their Ordinary Shares in the future to realise their investment. Sales of substantial amounts of Ordinary Shares following Admission and/or termination of the lock-in restrictions (the terms of which are summarised in paragraph 13.6(e) of Part 6 of this document), or the perception that such sales could occur, could materially adversely affect the market price of the Ordinary Shares available for sale compared to the demand to buy Ordinary Shares. Such sales may also make it more difficult for the Company to sell equity securities in the future at a time and price that is deemed appropriate. There can be no guarantee that the price of the Ordinary Shares will reflect their actual or potential market value or the underlying value of the Group's net assets and the price of the Ordinary Shares may decline below the Placing Price.

### **Investment risk**

An investment in the Company is highly speculative, involves a considerable degree of risk and is suitable only for persons or entities which have substantial financial means and who can afford to hold their ownership interests for an indefinite amount of time. While various oil and gas investment opportunities are available, potential investors should consider the risks that pertain to oil and gas development projects in general, and ventures in the Niger Delta in particular, as described more particularly above.

### **Dividends**

There can be no assurance as to the level of future dividends. Subject to compliance with the Cayman Act and the Articles, the declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Directors, and will depend on, *inter alia*, the Company's earnings, financial position, cash requirements and availability of profits. A dividend may never be paid and, at present, there is no intention to pay a dividend.

## **Options and Warrants**

As detailed in paragraphs 9 and 13.6 of Part 6 to this document, the Company has issued Options and Warrants to, amongst others, certain Directors and certain of its existing professional advisers. The Company may, in the future, issue further Options and/or warrants to subscribe for new Ordinary Shares to certain advisers, employees, Directors, senior management and consultants of the Group. The exercise of any such Options and warrants would result in a dilution of the shareholdings of other investors.

**It should be noted that the factors listed above are not intended to be exhaustive and do not necessarily comprise all of the risks to which the Group is or may be exposed or all those associated with an investment in the Company. In particular, the Company's performance is likely to be affected by changes in market and/or economic conditions, political, judicial, and administrative factors and in legal, accounting, regulatory and tax requirements in the areas in which it operates and holds its major assets. There may be additional risks and uncertainties that the Directors do not currently consider to be material or of which they are currently unaware which may also have an adverse effect upon the Group.**

**If any of the risks referred to in this Part 2 crystallise, the Group's business, financial condition, results or future operations could be materially adversely affected. In such case, the price of the Ordinary Shares could decline and investors may lose all or part of their investment.**

## PART 3

# ACCOUNTANT'S REPORT AND FINANCIAL INFORMATION ON THE GROUP

## SECTION A – ACCOUNTANT'S REPORT

13 May 2013

The Directors  
Lekoil Limited  
c/o Intertrust Corporate Services (Cayman) Limited  
190 Elgin Avenue  
George Town  
Grand Cayman KY1-9005  
Cayman Islands

The Directors  
Strand Hanson Limited  
26 Mount Row  
London W1K 3SQ  
United Kingdom

Dear Sirs

**Lekoil Limited (“the Company”) and its subsidiary undertakings (together, the “Group”)**

### **Introduction**

We report on the financial information set out in Section B of Part 3. This financial information has been prepared for inclusion in the admission document dated 13 May 2013 of the Company (the “Admission Document”) on the basis of the accounting policies set out in note 2 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

### **Responsibilities**

The directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies.

### **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the

financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at 31 December 2011 and 31 December 2012 and of its combined results, cash flows and changes in invested capital for the periods then ended in accordance with the basis of preparation set out in note 2 to the financial information.

### **Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

BDO LLP  
Chartered Accountants  
London  
United Kingdom

*BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).*

## SECTION B – FINANCIAL INFORMATION ON THE GROUP

### Combined statements of comprehensive income

*For the period ended 31 December 2012*

*In US Dollars*

	<i>Notes</i>	<i>2011</i>	<i>2012</i>
Revenue	7	—	—
Cost of sales		—	—
<b>Gross profit</b>		—	—
Administrative expenses	8	(4,194,544)	(3,842,934)
<b>Loss from operating activities</b>		(4,194,544)	(3,842,934)
Finance income		1,219	6,918
Finance costs		—	(3,177)
<b>Net finance income</b>		1,219	3,741
<b>Loss before income tax</b>		(4,193,325)	(3,839,193)
Income tax expense	10	—	—
<b>Loss for the year</b>		(4,193,325)	(3,839,193)
Other comprehensive income for the period, net of income tax		—	—
<b>Total comprehensive income and expense</b>		<u>(4,193,325)</u>	<u>(3,839,193)</u>
<b>Loss attributable to:</b>			
Owners of the invested capital		(4,193,325)	(3,826,699)
Non-controlling interests		—	(12,494)
<b>Loss for the year</b>		<u>(4,193,325)</u>	<u>(3,839,193)</u>
<b>Total comprehensive income and expense attributable to:</b>			
Owners of the invested capital		(4,193,325)	(3,826,699)
Non-controlling interests		—	(12,494)
<b>Total comprehensive income and expense for the year</b>		<u>(4,193,325)</u>	<u>(3,839,193)</u>
<b>Loss per share:</b>			
Basic loss per share (\$)	12	(0.64)	(0.51)
Diluted loss per share (\$)	12	(0.64)	(0.51)

The financial information within this document may not be representative of future results. The historical capital structure does not reflect the future capital structure.

**Combined statements of financial position***For the period ended 31 December 2012**In US Dollars*

	<i>Notes</i>	<i>2011</i>	<i>2012</i>
<b>Assets</b>			
Property, plant and equipment	13	114,269	126,108
Intangible exploration and evaluation assets	14	1,102,500	1,172,160
Prepayments		19,406	–
<b>Total non-current assets</b>		<u>1,236,175</u>	<u>1,298,268</u>
Trade and other receivables	15	79,911	81,190
Prepayments		112,550	136,016
Cash and cash equivalents		2,133,556	813,794
<b>Total current assets</b>		<u>2,326,017</u>	<u>1,031,000</u>
<b>Total assets</b>		<u>3,562,192</u>	<u>2,329,268</u>
<b>Invested capital and non-controlling interests</b>			
Invested capital		3,089,155	861,924
Non-controlling interests	16	–	(12,492)
<b>Total invested capital and non-controlling interests</b>	17	<u>3,089,155</u>	<u>849,432</u>
<b>Liabilities</b>			
Trade and other payables	18	473,037	1,479,836
<b>Current and total liabilities</b>		<u>473,037</u>	<u>1,479,836</u>
<b>Total invested capital, non-controlling interests and liabilities</b>		<u>3,562,192</u>	<u>2,329,268</u>

**Combined statements of cash flows**  
**For the period ended 31 December 2012**

*In US Dollars*

	2011	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Loss for the year before tax	(4,193,325)	(3,839,193)
Adjustment for:		
Equity-settled share-based payment transactions	1,241,935	477,968
Net finance costs	(1,219)	(3,741)
Unrealised foreign currency loss/(gain)	875	(97)
Depreciation	12,423	30,334
	<u>(2,939,311)</u>	<u>(3,334,729)</u>
Changes in:		
Trade and other payables	473,037	1,006,799
Prepayments	(131,956)	(4,060)
Trade and other receivables	(61,380)	853
<b>Net cash used in operating activities</b>	<u>(2,659,610)</u>	<u>(2,331,137)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of property, plant and equipment	(126,692)	(42,173)
Acquisition of exploration and evaluation assets	(1,102,500)	(69,660)
<b>Net cash used in investing activities</b>	<u>(1,229,192)</u>	<u>(111,833)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issue of invested capital	6,022,165	1,123,000
Interest received	193	208
<b>Net cash from financing activities</b>	<u>6,022,358</u>	<u>1,123,208</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	2,133,556	(1,319,762)
Cash and cash equivalents at 1 January	–	2,133,556
<b>Cash and cash equivalents at 31 December</b>	<u>2,133,556</u>	<u>813,794</u>

Movements in trade and other receivables exclude non-cash items in respect of unpaid share capital by the Company and Lekoil Nigeria.

## **Notes to the combined financial information**

### **1. Reporting entities**

Lekoil Limited is a company domiciled in the Cayman Islands. The address of the Company's registered office is Walker House, 190 Elgin Avenue, George Town, Grand Cayman, Cayman Islands.

The Group's principal activity is exploration and production of oil and gas.

The combined historical financial information covers the period from 3 December 2010 (the date of incorporation of the Company) to 31 December 2012.

### **2. Basis of preparation**

#### **(a) Statement of compliance**

The combined financial information has been prepared for inclusion in the admission document dated 13 May 2013 of the Company (the "Admission Document").

The combined financial information has been prepared in accordance with the requirements of the AIM Rules and in accordance with this basis of preparation. The basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), other than as set out below:

The entities which comprise the Group did not form a legal group in the period presented in the combined financial information. However, the entities which comprise the Group have been under common management throughout this period, having the same Board of Directors, which manages the operations of all entities as if they were one entity. Consequently, the combined financial information has been prepared for each of the two years ended 31 December 2012 by combining the financial information of the Company and Lekoil Nigeria, together with their associated subsidiaries.

IFRSs as adopted by the EU do not provide for the preparation of combined financial information, and, accordingly, in preparing the combined financial information, certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Analysis of Common Practices on Combined and Carve-out Financial Statements issued by the Federation of European Accountants have been applied.

The application of these conventions results in the following material departure from IFRSs as issued by the International Accounting Standards Board (IFRS). In other respects, IFRS has been applied.

The combined financial information has been prepared by aggregating the assets, liabilities, results, share capital and reserves of the relevant entities, after eliminating intercompany transactions and balances. As the Group has not in the past formed a separate legal group, it is not meaningful to present share capital or an analysis of reserves. Instead "Invested capital" is presented, which represents the aggregated share capital, share premiums, retained losses and share-based payment reserves of the Company, Lekoil Nigeria and their subsidiary undertakings.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this combined financial information, the Group has adopted all these new and revised IFRSs, except for any new standards or interpretations that are not yet effective as at 31 December 2012. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on 1 January 2012 are set out in note 4.

#### **(b) Basis of measurement**

The combined financial information has been prepared on the historical cost basis.

(c) ***Functional and presentation currency***

This combined financial information is presented in US Dollars which is the Company's functional currency and that of its subsidiaries.

(d) ***Use of estimates and judgments***

The preparation of the combined financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties are included in note 11, which details the assumptions made when determining the fair value of options. These include judgemental estimates around the values of the company's shares at grant date and volatility. In addition, exploration and evaluation assets include amounts prepaid in respect of future licence interests which the Group expects to convert to licence interests, which requires judgement regarding capitalisation as an intangible asset. These assets are subject to review for impairment indicators under IFRS 6, which are inherently judgemental.

(e) ***Going concern basis***

The combined financial information has been prepared on the going concern basis.

### **3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in this combined financial information and have been applied consistently by Group entities.

(a) ***Basis of consolidation***

(i) ***Subsidiaries***

Subsidiaries are entities controlled by the Group. The financial information of subsidiaries is included in the combined financial information from the date that control commences until the date that control ceases. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

(ii) ***Transactions eliminated on combination and consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the combined financial information.

(b) ***Foreign currency***

(i) ***Foreign currency transactions***

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Foreign currency differences arising on retranslation are recognised in profit or loss.

(c) ***Financial instruments***

(i) *Non-derivative financial assets*

The Group initially recognizes trade and other receivables and cash and cash equivalents on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset.

Financial assets and liabilities are offset and the net amount presented in the combined statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Financial assets classified as loans and other receivables comprise cash and cash equivalents, trade and other receivables.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(ii) *Non-derivative financial liabilities*

All financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the combined statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

(iii) *Impairment*

A financial asset not classified as at fair value through profit and loss is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables.

(d) ***Property, plant and equipment***

(i) *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) *Depreciation*

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- Motor vehicles – 5 years
- Furniture and fittings – 5 years
- Computer and household equipment – 4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) ***Exploration and Evaluation (E&E) Expenditures***

- (i) License acquisition costs: License acquisition costs are capitalized as intangible E&E assets. These costs are reviewed on a continual basis by management to confirm that drilling activity is planned and that the asset is not impaired. If no future activity is planned, the remaining balance of the license and property acquisition costs is written off. Capitalised licence acquisition costs are measured at cost less accumulated amortisation and impairment losses. Costs incurred prior to having obtained the legal rights to explore an area are expensed directly as they are incurred unless they form part of the acquisition process of the license. Prepayments

towards the purchase of licence interests are classified as licence acquisition costs and accounted for in the same manner.

- (ii) **Exploration expenditure:** All exploration and appraisal costs are initially capitalized in well, field or specific exploration cost centres as appropriate pending future exploration work programmes and pending determination. All expenditure incurred during the various exploration and appraisal phase is capitalized until the determination process has been completed or until such point as commercial reserves have been established. Payments to acquire technical services and studies, seismic acquisition, exploratory drilling and testing, abandonment costs, directly attributable administrative expenses are all capitalized as intangible exploration and evaluation assets. Capitalised exploration expenditure is measured at cost less accumulated amortisation and impairment losses.

Treatment of E & E assets at conclusion of exploratory and appraisal activities

Exploration and evaluation assets are carried forward until the existence, or otherwise, of commercial reserves has been determined. If commercial reserves have been discovered, the carrying value is then reclassified as tangible and intangible assets. If however, commercial reserves have not been found, the capitalised costs are charged to expense after the conclusion of the exploratory and appraisal activities. Exploration and evaluation costs are carried as assets and are not amortised prior to the conclusion of exploratory and appraisal activities.

(f) ***Development expenditure***

Once the technical feasibility and commercial viability of extracting oil and gas resources are demonstrable, expenditure related to the development of oil and gas resources which are not tangible in nature are classified as intangible development expenditure. Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses.

Amortization of development assets attributable to the participating interest is recognized in profit or loss using the units-of-production method.

(g) ***Employee benefits***

(i) ***Short-term employee benefits***

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) ***Share-based payment transactions***

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The grant date is when the beneficiary and Company have a shared understanding of the terms of the grant. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(h) **Income taxes**

(i) **Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Current income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

(ii) **Deferred tax**

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise deferred income tax is recognised in the income statement.

(i) **Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(j) **Finance income and finance costs**

Finance income comprises, where applicable, interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination, gains on hedging instruments that are recognised in profit or loss and reclassifications of net gains previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or

loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise, where applicable, interest expense on borrowings, unwinding of the discount on provisions and deferred consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss and contingent consideration, impairment losses recognised on financial assets (other than trade receivables), losses on hedging instruments that are recognised in profit or loss and reclassifications of net losses previously recognised in other comprehensive income.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(k) ***Earnings per share***

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of invested capital of the Group by the weighted average number of ordinary shares of the Company in issue during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to owners of invested capital of the Group and the weighted average number of ordinary shares of the Company in issue for the effects of all dilutive potential ordinary shares which comprise share options granted to employees. Potential ordinary shares of the Company are treated as dilutive when, and only when, their conversion to ordinary shares of the Company would decrease earnings per share or increase loss per share from continuing operations.

(l) ***Segment reporting***

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments are based on the information reviewed by the Group's Chief Operating Decision Maker (considered to be the Board) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**4. Standards and Interpretations effective for the first time or not yet effective**

The Group has adopted the following standards, amendments to standards and interpretations which are effective for the first time this year. The impact is shown below:

	<i>Effective period commencing on or after</i>	<i>Impact on Group</i>
IFRS 7 Amendment – Transfer of Financial Asset	1 July 2011	No
IFRS 1 Amendment – Severe hyperinflation and removal of fixed dates	1 July 2011	No
IAS 12 Amendment – Recovery of Underlying Assets	1 January 2012	No

Certain new standards, amendments to standards and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning after 1 January 2013 or later periods to which the Group has decided not to adopt early when early adoption is available. These are:

	<i>Effective period commencing on or after</i>
IAS 1 Amendment – Presentation of Items of Other Comprehensive Income	1 July 2012
IFRS 10 – Consolidated Financial Statements	1 January 2013
IFRS 11 – Joint Arrangements	1 January 2013
IFRS 12 – Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 – Fair Value Measurement	1 January 2013
IAS 27 – Separate Financial Statements	1 January 2013
IAS 28 – Investments in Associates and Joint Ventures	1 January 2013
IAS 19 – Employee Benefits	1 January 2013
IFRS 7 Amendment – Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS 1 Amendment – Government Loans	1 January 2013
Improvements to IFRS (2009-2011 Cycle)	1 January 2013
IFRS 10, 11 and Amendments – Transition Guidance	1 January 2013
IFRIC 20 Interpretation – Stripping Costs in the Production Phase of a Surface Mine	1 July 2013
IAS 32 Amendment – Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 10, 12 and IAS 27 Amendments – Investment Entities	1 January 2014
IFRS 9 – Financial Instruments	1 January 2015

The new standards and interpretations are not expected to materially impact the Group, except for IFRS 10 'Consolidated Financial Statements' which introduces a single control model to determine whether an investee should be consolidated. The Group is reviewing the requirements and assessing whether the entities included in this combined financial information meet the control criteria.

## 5. Operating segments

The Group operates in one segment, being the exploration and evaluation of oil and gas projects in Africa, and presents information to the Board on this basis.

### *Geographical information*

In presenting information on the basis of geographical segments, segment assets are based on the geographical location of the assets.

#### **Non-current assets**

	<i>2011</i>	<i>2012</i>
<b>All foreign countries</b>		
Nigeria	1,216,769	1,228,608
Namibia	–	69,660
	<u>1,216,769</u>	<u>1,298,268</u>

Non-current assets presented consist of property, plant & equipment and E&E assets.

## 6. Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total invested capital. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The return on capital ratios at 31 December 2011 and 31 December 2012 are as follows:

	<i>2011</i>	<i>2012</i>
Net operating income	(4,194,544)	(3,842,934)
Total invested capital	<u>3,089,155</u>	<u>861,924</u>
Return on capital ratio	<u>(1.36:1)</u>	<u>(4.46:1)</u>

The Company is not subject to externally imposed capital requirements.

## **7. Revenue**

No revenue is reported in this combined financial information as the Group is yet to commence production of oil and gas.

## **8. Administrative expenses**

*In US Dollars*

	<i>2011</i>	<i>2012</i>
Legal and statutory fees	12,486	262,808
Consultancy and technical fees	1,008,764	290,395
Directors' fees	210,000	110,000
Bank charges	5,019	5,671
Travel expenses	543,848	558,385
Other expenses	423,284	623,028
Personnel expenses (see Note 9 below)	1,978,720	1,962,313
Depreciation	<u>12,423</u>	<u>30,334</u>
	<u>4,194,544</u>	<u>3,842,934</u>

## **9. Personnel expenses**

*In US Dollars*

	<i>2011</i>	<i>2012</i>
Wages and salaries	779,669	1,496,042
Equity settled share-based payment transactions	<u>1,199,051</u>	<u>466,271</u>
	<u>1,978,720</u>	<u>1,962,313</u>

## **10. Taxation**

*In US Dollars*

	<i>2011</i>	<i>2012</i>
Current taxation	–	–
Deferred taxation	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>

## Reconciliation of tax rate

In US Dollars

	2011	2012
Loss before tax	(4,193,325)	(3,839,193)
Tax at Cayman corporate tax rate of 0%*	–	–
Effects of:		
– Tax rate applicable in foreign jurisdictions		
Nigeria	(817,456)	(530,945)
Namibia	–	(21,865)
– Losses carried forward (deferred tax not recognised)	817,456	552,810
Total tax charge	–	–

\* The applicable tax rate of 0 per cent. is that of Lekoil Cayman Limited, representing the tax rate in the country of domicile for the purposes of this combined financial information.

## Unrecognised deferred tax assets

In US Dollars

	2011	2012
Tax losses	817,456	1,370,266
	<u>817,456</u>	<u>1,370,266</u>

Deferred tax assets have not been recognised in respect of tax losses carried forward due to the uncertainty of the availability of future taxable profits against which the losses can be utilised.

## 11. Share-based payment arrangements

At 31 December 2012, the Group has the following share-based payment arrangements:

### *Share option scheme (equity-settled)*

On 4 June 2012, the Group formally established a share option scheme that entitles employees, key management personnel and consultants providing employment-type services to purchase shares in the Company. In accordance with the scheme, holders of vested options are entitled to purchase shares at established prices of the shares at the date of grant during a period expiring on the tenth anniversary of the effective date, as defined in the agreements but being 3 December 2010 in most instances. The grant dates for awards were 3 December 2010, 1 June 2011, 1 November 2011 and 3 June 2012 based upon a shared understanding of the terms of the awards at that time.

### *Terms and conditions of share option scheme*

The terms and conditions related to the share option scheme are as follows:

Vesting periods	Cumulative Vested Percentage	Number of option shares per vesting period and exercise price		
		\$1	\$3.75	\$7.50
Less than 12 months from the effective date	25%	485,250	322,500	322,500
12 months from the effective date	50%	485,250	322,500	322,500
24 months from the effective date	75%	485,250	322,500	322,500
36 months from the effective date	100%	485,250	322,500	322,500
		<u>1,941,000</u>	<u>1,290,000</u>	<u>1,290,000</u>

### ***Disclosure of share option scheme***

The number and weighted average exercise prices of share options is as follows:

	<i>Weighted average exercise price</i>	<i>Number of options</i>	<i>Weighted average exercise price</i>	<i>Number of options</i>
		<i>2011</i>		<i>2012</i>
Outstanding at 1 January	2.41	4,301,000	2.45	4,381,000
Granted during the year	4.47	80,000	5.63	140,000
Outstanding at 31 December	<u>2.45</u>	<u>4,381,000</u>	<u>2.55</u>	<u>4,521,000</u>
Exercisable at 31 December	<u>2.43</u>	<u>2,271,771</u>	<u>2.49</u>	<u>3,422,438</u>

The options outstanding at 31 December 2012 have an exercise price of \$1 to \$7.50 and a weighted average contractual life of 8.2 years.

### ***Inputs for measurement of grant date fair values***

The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes Option Pricing Model for plain vanilla European call options with the following inputs:

	<i>2010</i>	<i>2011</i>	<i>2012</i>
<b>Fair value of share options and assumptions</b>			
Weighted average fair value at grant date	\$0.3912	\$0.6674	\$1.7216
Share price at grant date	\$1.00	\$1.00-3.75	\$3.75
Exercise price <sup>(1)</sup>	Various	Various	Various
Option life (expected weighted average life in years)	5.0	5.0	5.0
Expected volatility	70%	65%	65%
Risk-free interest rate	1.64%	0.9%/1.6%	0.68%
Expected dividends	na	na	na

(1) The company issued options with 3 different exercise prices \$1,00, \$3.75, and \$7.50. The share price was estimated based on recent arm's length share issues.

Volatility was estimated with reference to empirical data for proxy companies with listed equity.

### **Employee expenses**

*In US Dollars*

	<i>2011</i>	<i>2012</i>
Share options granted in 2011	1,192,816	–
Share options granted in 2012	–	464,848
Total expense recognised as employee costs	<u>1,192,816</u>	<u>464,848</u>
Total expense recognised as other expenses	<u>42,671</u>	<u>11,638</u>
Total amount recognised directly in equity	<u>1,235,487</u>	<u>476,486</u>

Other expenses are options granted to consultants providing employment-type services.

## 12. Basic and diluted loss per share

The calculation of basic loss per share at 31 December was based on the loss attributable to owners of invested capital of the Group of \$3,820,526 (2011: \$4,186,877) and on 7,437,897 (2011: 6,559,253) weighted average ordinary shares of the Company in issue during the year. There are 4,521,000 potentially dilutive instruments, being share options. Basic and diluted loss per share are equal as all options are anti-dilutive.

It is not meaningful to attribute a loss per share to the combined share capital of Lekoil Cayman and Lekoil Nigeria.

## 13. Property, plant and equipment

*In US Dollars*

*The movement on this account was as follows:*

	<i>Motor Vehicles</i>	<i>Furniture &amp; Fittings</i>	<i>Computer and Household Equipment</i>	<i>Total</i>
<b>COST:</b>				
Balance at 3 December 2010	–	–	–	–
Additions	85,350	22,263	19,079	126,692
Balance at 31 December 2011	85,350	22,263	19,079	126,692
Balance at 1 January 2012	85,350	22,263	19,079	126,692
Additions	–	21,165	21,008	42,173
Balance at 31 December 2012	85,350	43,428	40,087	168,865
<b>DEPRECIATION AND IMPAIRMENT LOSSES:</b>				
Balance at 3 December 2010	–	–	–	–
Charge for the period	7,113	2,522	2,788	12,423
Balance at 31 December 2011	7,113	2,522	2,788	12,423
Balance at 1 January 2012	7,113	2,522	2,788	12,423
Charge for the year	17,070	6,164	7,100	30,334
Balance at 31 December 2012	24,183	8,686	9,888	42,757
<b>CARRYING AMOUNTS:</b>				
At 3 December 2010	–	–	–	–
At 31 December 2011	78,237	19,741	16,291	114,269
At 31 December 2012	61,167	34,742	30,199	126,108

#### 14. Intangible exploration and evaluation (E&E) assets

*In US Dollars*

E&E assets represent the Group's oil mineral rights acquisition costs.

The movement on the intangible asset account was as follows:

	<i>Oil Mineral rights</i>
<b>COST:</b>	
Balance at 3 December 2010	–
Additions	1,102,500
Balance at 31 December 2011	1,102,500
Balance at 1 January 2012	1,102,500
Additions	69,660
Balance at 31 December 2012	1,172,160

The 2011 addition refers to amounts prepaid towards interests in the OPL 241 licence in Nigeria as detailed in note 19. The 2012 addition refers to initial payments toward the Group's Namibian licence interest, as detailed in note 19.

#### 15. Trade and other receivables

*Receivables recoverable within 12 months*

*In US Dollars*

	<i>2011</i>	<i>2012</i>
Other receivables	702	–
Called-up share capital unpaid	17,505	16,103
Payroll advances	12,004	12,772
Director loan (note 20)	49,700	52,315
	<u>79,911</u>	<u>81,190</u>

#### 16. Non-controlling interests

*In US Dollars*

	<i>2011</i>	<i>2012</i>
Lekoil Namibia	–	12,492
	<u>–</u>	<u>12,492</u>

## 17. Total invested capital and non-controlling interests

*In US Dollars*

	<i>Invested capital</i>	<i>Non- controlling interests</i>	<i>Total invested capital and non- controlling interests</i>
Balance at 3 December 2010	–	–	–
Loss for the period	(4,193,325)	–	(4,193,325)
Total comprehensive income and expense for the year	(4,193,325)	–	(4,193,325)
Share-based payment transactions	1,241,935	–	1,241,935
Increase in invested capital	6,040,545	–	6,040,545
Balance at 31 December 2011	3,089,155	–	3,089,155
Balance at 1 January 2012	3,089,155	–	3,089,155
Loss for the year	(3,826,699)	(12,494)	(3,839,193)
Total comprehensive income and expense for the year	(3,826,699)	(12,494)	(3,839,193)
Increase in invested capital	1,121,500	–	1,121,500
Share-based payment transactions	477,968	–	477,968
Share issue by subsidiary	–	2	2
Balance at 31 December 2012	861,924	(12,492)	849,432

## 18. Trade and other payables

*In US Dollars*

	<i>2011</i>	<i>2012</i>
Accrued expenses	375,000	1,309,561
Accounts payable	98,037	170,275
	473,037	1,479,836

## 19. Financial Commitments and Contingencies

On 17 October 2011, Lekoil Nigeria signed the Prepayment Agreement relating to a proposed acquisition by Lekoil Nigeria of an interest in another Nigerian field, OPL241 from Oilworld. It was proposed that Lekoil Nigeria acquire a 10 per cent. participating interest in OPL241 subject to negotiation of a commercial transaction and suitable documentation being agreed (the “OPL241 Acquisition”) and certain payments being made by Lekoil Nigeria to Oilworld. Lekoil Nigeria paid a deposit of US\$1,000,000 on the understanding that this would be held by Oilworld as a deposit and applied by Oilworld towards any subsequent acquisition by Lekoil Nigeria of a 1 per cent. participating interest in OPL241. Ministerial Consent would be needed for the transfer of the interests although the OPL241 Acquisition has not completed, Oilworld is still holding the sum of US\$1,000,000 as a deposit on the above basis. The Prepayment Agreement also states that, if the OPL241 Acquisition did not complete, Lekoil Nigeria would have a right of first refusal over the 10 per cent. participating interest in OPL241 held by Oilworld (including the 1 per cent. interest to which the US\$1,000,000 deposit above refers).

Lekoil Limited, Namibia is also bound to an agreement for the acquisition of a 77.5 per cent. participating interest in the Production Sharing Agreement (PSA) and operatorship in respect of Namibia Blocks 2514A and 2514B with Hallie Investments (Namibia) for the sum of \$2.75 million, out of which an initial deposit of \$69,660 was made. The material consideration outstanding is contingent upon proven reserves being established by an independent CPR (maximum of \$1,000,000 payable) and production commencing upon which an amount per barrel is payable (maximum of \$1,500,000 payable).

## 20. Related Party Transactions

The Group had related party transactions during the year with the following related parties:

### (a) *Transactions with key management personnel*

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director of the Company. There are seven (2011 – six) people considered to represent key management personnel and included in these disclosures.

#### *Key management personnel compensation*

In addition to their salaries, the Company also provides non-cash benefits to key management personnel, in form of share based payments.

Key management personnel compensation comprised the following:

*In US Dollars*

	<i>2011</i>	<i>2012</i>
Short-term benefits	940,283	1,465,220
Share-based payments	1,165,785	442,637
	<u>2,106,068</u>	<u>1,907,857</u>

#### *Key management personnel and director transactions*

Directors of the Company control 41.9 per cent. (2011 – 39.9 per cent.) of the voting shares of the Company.

The Directors of the Group do not purchase goods from the Group.

The Company did not grant any loans to any key management personnel or directors, except for a loan of \$49,900 (2011 – \$49,700) due to Lekan Akinyanmi as shown in note 15, which is non-interest bearing.

An amount of \$64 representing payment made on behalf of the Group by a director remained outstanding as at 31 December 2012. This amount is included in accounts payable and accruals. Also included in accounts payable and accruals is \$1,301,253 (2011: \$350,000) representing key management personnel's accrued salaries.

In the period ended 31 December 2011, Lekan Akinyanmi was issued with 3,000,000 Shares in the Company for \$1,500 consideration, and Greg Eckersley acquired 50,000 Shares in the Company for \$50,000.

In the year ended 31 December 2012, David Robinson acquired 133,333 Shares in the Company for \$500,000 and Sam Adegboyega acquired 13,500 Shares in the Company for \$50,625.

The Group has no ultimate controlling party.

## 21. Group entities

### *Significant subsidiaries:*

	<i>Country of incorporation</i>	<i>Ownership interest</i>	
		<i>2011</i>	<i>2012</i>
Lekoil Limited, Namibia	Namibia	–	80%
Lekoil Management Corporation, US	USA	100%	100%

## **22. Events after the Reporting Date**

The following activities occurred between the reporting date and the date of authorizing this financial information:

Execution of Farm-Out Agreement to acquire a 30 per cent. economic interest and 17.14 per cent. participating interest in OPL310 from Afren in February 2013. The transfer of a participating interest from Afren is subject to the consent of the Minister of Petroleum Resources in Nigeria. The Group's right to a participating interest and an economic interest in OPL310 is conditional upon it demonstrating to the reasonable satisfaction of Afren that it has the financial capability to perform its payment obligations under and in accordance with the Farm Out Agreement (the "Funds Condition"). The date on which the Funds Condition is met is referred to as the "Economic Date". To acquire its ultimate 30 per cent. economic interest in OPL310, the Group must pay 100 per cent. of capital expenditure and 42.86 per cent. of operating costs incurred from the Economic Date in respect of costs associated with the farm-in and the first exploration well to be drilled at OPL310, up to a maximum amount to be incurred by the Group of \$50,000,000.

The Group has entered into a facility agreement with Afren Plc, under which Afren Plc has agreed to lend the Group \$15 million on a term loan. The loan is repayable in full on the date falling 24 months from the date of admission to AIM. Interest will accrue at a rate of 11.5 per cent. per annum and will be repayable on the final repayment date.

On 13 May 2013, the company entered into a standby equity distribution agreement ("SEDA") with YA Global Master SPV Limited ("YAGM"). Pursuant to the SEDA and conditional upon certain conditions (including admission to trading on AIM), YAGM has agreed to subscribe for the Pounds Sterling equivalent of up to \$35 million of Ordinary Shares over a period of 36 months. The Company can require YAGM to subscribe for a number of shares, based on the average volume weighted daily trading value of ordinary shares for the previous five trading days and the daily volume weighted average price of the shares during the following 15 consecutive trading days (subject to certain restrictions).

## **23. Financial risk management and financial instruments**

### ***Overview***

The Group has exposure to the following principle risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

Interest rate risk is considered immaterial and is limited to interest on cash in 2011 and 2012.

This note presents information about the Group's exposure to each of the principle risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout this financial information.

### ***Risk management framework***

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) *Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and other related parties. Credit risk is monitored by review of credit ratings for financial institutions and counterparties and limiting the term of deposits.

*Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

*In US Dollars*

	<i>Carrying amount and fair value</i>	
	<i>2011</i>	<i>2012</i>
Receivables	79,911	81,190
Cash and cash equivalents	2,133,556	813,794
Total classified as loans and receivables	<u>2,213,467</u>	<u>894,984</u>

No amounts are past due or impaired. The effective interest rate on cash is 0.1 per cent.

(b) *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, and excluding the impact of netting agreement:

	<i>Carrying amount</i>	<i>Contractual cash flows</i>	<i>6 months or less</i>	<i>1-3 years</i>	<i>4-5 years</i>	<i>Over 5 years</i>
<i>Non-derivative financial liabilities (determined at amortised cost)</i>						
<b>31 December 2012</b>						
Trade and other payables	1,479,836	1,479,836	1,479,836	—	—	—
	<u>1,479,836</u>	<u>1,479,836</u>	<u>1,479,836</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>31 December 2011</b>						
Trade and other payables	473,037	473,037	473,037	—	—	—
	<u>473,037</u>	<u>473,037</u>	<u>473,037</u>	<u>—</u>	<u>—</u>	<u>—</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts. The Group has not provided any guarantees as at year end.

(c) *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group manages market risks by keeping costs low through various cost optimization programs. Moreover, market developments are monitored and discussed regularly, and mitigating actions are taken where necessary.

*Currency risk*

The Group is exposed to currency risk on bank balances, employee receivables and other tax liabilities denominated in Nigerian Naira.

The summary quantitative data about the Group's exposure to currency risks was as follows:

*In US Dollars*

	<i>Carrying amounts</i>	
	<i>2011</i>	<i>2012</i>
Trade and other receivables – Naira	28,009	31,290
Cash and cash equivalents – Naira	2,401	22,023
Trade and other payables – Naira	(5,033)	(41,531)
<b>Net exposure</b>	<u>25,377</u>	<u>11,782</u>

The effect of changes to exchange rates is insignificant, therefore no sensitivities are disclosed.

(d) *Operational risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- documentation of processes, controls and procedures
- periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- training and professional development of employees
- appropriate segregation of duties, including the independent authorisation of transactions
- monitoring of compliance with regulatory and other legal requirements
- requirements for reporting of operational losses and proposed remedial action
- development of contingency plans for various actions
- reconciliation and monitoring of transactions
- development, communication and monitoring of ethical and acceptable business practices
- risk mitigation, including insurance when this is effective
- monitoring of business process performance and development and implementation of improvement mechanisms thereof.

## PART 4

### UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

#### SECTION A – PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma statement of net assets of the Group (the “pro forma financial information”) has been prepared to illustrate the effect on the combined net assets of the Group as if the Placing and the acquisition of the Economic Interest in OPL310 had taken place on 31 December 2012.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group’s actual financial position or results.

The pro forma financial information is based on the combined net assets of the Group as at 31 December 2012, set out in the financial information on the Group for the year ended 31 December 2012 set out in Section B of Part 3 of this document, and has been prepared in a manner consistent with the accounting policies adopted by the Company in preparing such information and on the basis set out in the notes set out below.

		<i>Adjustments</i>		
<i>The Group as at 31 December 2012 (note 1) \$000</i>	<i>Net proceeds of the Placing (note 2) \$000</i>	<i>Acquisition of Economic Interest in OPL310 (note 3) \$000</i>	<i>Pro forma net assets of the Group \$000</i>	
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	126	–	–	126
Intangible exploration and evaluation assets	1,172	–	50,000	51,172
	1,298	–	50,000	51,298
<b>Current assets</b>				
Trade and other receivables	81	–	–	81
Prepayments	136	–	–	136
Cash and cash equivalents	814	41,210	(35,000)	7,024
	1,031	41,210	(35,000)	7,241
<b>Total assets</b>	2,329	41,210	15,000	58,359
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other receivables	(1,480)	–	–	(1,480)
<b>Non-current liabilities</b>				
Loan	–	–	(15,000)	(15,000)
<b>Total liabilities</b>	(1,480)	–	(15,000)	(16,480)
<b>Net assets</b>	849	41,210	–	42,059

**Notes:**

1. The net assets of the Group at 31 December 2012 have been extracted without material adjustment from the combined financial information on the Group for the year ended 31 December 2012 set out in Section B of Part 3 of this document.

*Adjustments:*

2. The Placing is estimated to raise net proceeds of \$41.2 million (\$49.1 million gross proceeds less estimated expenses payable in cash of \$1.4 million and expenses payable through issuing Ordinary Shares of \$6.5 million).
3. \$50 million is being paid under the terms of the Farm Out Agreement for the acquisition of the 30 per cent. Economic Interest in OPL310. \$35 million is payable in cash and \$15 million is deferred under the terms of the Afren Facility.
4. No account has been taken of the financial performance of the Group since 31 December 2012, nor of any other event save as disclosed above.

## SECTION B – ACCOUNTANT’S OPINION



BDO LLP  
55 Baker Street  
London  
W1U 7EU

The Directors  
Lekoil Limited  
c/o Intertrust Corporate Services (Cayman) Limited  
190 Elgin Avenue  
George Town  
Grand Cayman KY1-9005  
Cayman Islands

13 May 2013

The Directors  
Strand Hanson Limited  
26 Mount Row  
London W1K 3SQ  
United Kingdom

Dear Sirs

### **Lekoil Limited (the “Company”): Pro forma financial information**

We report on the unaudited pro forma statement of net assets (the “Pro forma financial information”) set out in Section A of Part 4 of this document which has been prepared on the basis described in the notes thereto, for illustrative purposes only, to provide information about how the Placing and the acquisition of the 30 per cent. Economic Interest in OPL310 might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing its financial statements for the year ended 31 December 2012.

### **Responsibilities**

It is the responsibility of the directors of the Company to prepare the Pro forma financial information.

It is our responsibility to form an opinion as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors of the Company.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of Lekoil Limited.

### **Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Paragraph (a) of Schedule Two of the AIM Rules for Companies.

Yours faithfully

BDO LLP  
Chartered Accountants  
London  
United Kingdom

*BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)*

**PART 5**  
**COMPETENT PERSON'S REPORT**

**Estimates of Unrisked Prospective Resources  
to the Lekoil Limited Interest  
for Prospects and Leads  
Located in Oil Prospecting License 310  
Offshore Nigeria  
and  
Review of Play Concepts  
for Blocks 2514 A & B  
Offshore Namibia**

**As of March 31, 2013**

**Prepared for Lekoil Limited**



May 10, 2013

Lekoil Limited  
c/o Intertrust Corporate Services (Cayman) Limited  
190 Elgin Avenue  
George Town  
Grand Cayman KY1-9005  
Cayman Islands

Strand Hanson Limited  
26 Mount Row, Mayfair  
London W1K 3SQ  
United Kingdom

Ladies and Gentlemen:

In accordance with your request, we have estimated the undiscovered original oil-in-place (OOIP), undiscovered original gas-in-place (OGIP), unrisks gross (100 percent) prospective resources, and unrisks net prospective resources to the Lekoil Limited (Lekoil) interest, as of March 31, 2013, for prospects and leads located in Oil Prospecting License (OPL) 310, offshore Nigeria. Participating and economic interests have been updated from our report dated March 27, 2013, based on additional data provided by Lekoil. With the exception of these changes, we completed our evaluation on or about March 27, 2013. This evaluation was originally conducted on behalf of Afren plc (Afren) using its data set. Lekoil is a company incorporated in the Cayman Islands with registered number WK-248859. Lekoil will acquire a 27 percent post cost recovery working (economic) interest in OPL 310 through its subsidiary Mayfair Assets & Trust Limited, which has signed a conditional farm-out agreement with Afren that is subject to consent of the Minister of Petroleum Resources in Nigeria. OPL 310 is operated by Optimum Petroleum Development Limited, with Afren acting as technical advisor; they spudded the initial exploration well in OPL 310, the Ogo-1, on the Eko Prospect on April 23, 2013. As requested, we have also reviewed play concepts for Blocks 2514 A & B, offshore Namibia. Lekoil, through its subsidiary Lekoil Exploration and Production (Pty) Limited, owns a participating interest of 69.75 percent in Blocks 2514 A & B. At this time, volumes have not been estimated for the Namibia licenses.

Prospective resources are those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. The prospective resources included in this report should not be construed as reserves or contingent resources; they represent exploration opportunities and quantify the development potential in the event a petroleum discovery is made. Entities for which prospective resources have been estimated in this report have been subclassified as prospects and leads. The 2007 Petroleum Resources Management System (PRMS) defines a prospect as a project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target and a lead as a project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect. A geologic risk assessment was performed for each of these prospects and leads, as discussed in subsequent paragraphs of this letter. We did not perform an economic analysis on these resources; as such, the economic status of these resources is undetermined.

This report has been prepared in accordance with the "Note for Mining and Oil & Gas Companies – June 2009" of the AIM Rules for Companies distributed by the London Stock Exchange and definitions and guidelines set forth in the PRMS approved by the Society of Petroleum Engineers (SPE). Definitions are presented immediately following this letter. Following the definitions are certificates of qualification and a list of abbreviations used in this report.

Totals of unrisks prospective resources beyond the prospect and lead levels are not reflective of volumes that can be expected to be recovered and are shown for convenience only. Because of the geologic risk associated with each prospect and lead, meaningful totals beyond these levels can be defined only by summing risks prospective resources. Such risk is often significant. Unrisks prospective resources for each prospect and lead are shown in the tables included in this report.

We estimate the undiscovered OOIP and undiscovered OGIP for these prospects and leads, as of March 31, 2013, to be:

Prospect or Lead	Undiscovered OOIP <sup>(1)</sup> (MMBBL)			Undiscovered OGIP <sup>(1)</sup> (BCF)		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
Eko Prospect	43.9	108.4	265.7	56.1	156.4	426.1
Ogo Prospect	5.8	22.9	83.8	11.4	50.7	249.9
Agege Prospect	157.0	309.4	650.2	45.2	132.4	479.4
Ado Lead	85.1	176.9	349.2	144.9	267.2	472.6
Shasha Lead	114.5	255.0	527.2	276.5	525.0	1,001.9
Total <sup>(2)</sup>	406.2	872.7	1,876.1	534.1	1,131.8	2,629.9

<sup>(1)</sup> Undiscovered OOIP and undiscovered OGIP volumes are the arithmetic sum of multiple probability distributions.

<sup>(2)</sup> Totals may not add because of rounding.

We estimate the unrisks gross (100 percent) prospective oil, free gas, condensate, and solution gas resources and the probability of geologic success ( $P_g$ ) for these prospects and leads, as of March 31, 2013, to be:

Prospect or Lead	Unrisks Gross (100 Percent) Prospective Resources <sup>(1)</sup>												$P_g$ <sup>(4)</sup> (decimal)
	Oil (MMBBL)			Free Gas (BCF)			Condensate <sup>(2)</sup> (MMBBL)			Solution Gas <sup>(3)</sup> (BCF)			
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	
Eko Prospect	11.3	32.1	90.5	38.2	112.9	328.0	2.4	7.4	22.0	6.7	19.3	54.5	0.27
Ogo Prospect	1.5	6.8	27.9	7.6	36.5	193.3	0.5	2.4	12.9	0.9	4.1	16.8	0.25
Agege Prospect	40.6	92.5	219.5	30.8	96.0	370.7	2.0	6.3	24.7	24.3	55.2	132.7	0.08
Ado Lead	22.2	52.7	117.2	98.3	192.9	363.1	6.2	12.7	25.0	13.2	31.5	70.8	0.07
Shasha Lead	29.9	76.0	176.7	186.5	379.9	770.5	11.7	25.1	53.2	17.8	45.5	106.6	0.12
Total <sup>(5)</sup>	105.5	260.2	631.8	361.4	818.2	2,025.7	22.8	53.9	137.9	62.9	155.5	381.5	

We estimate the unrisks net prospective oil, free gas, condensate, and solution gas resources to the Lekoil post cost recovery working (economic) interest and the  $P_g$  for these prospects and leads, as of March 31, 2013, to be:

Prospect or Lead	Unrisks Prospective Resources to the 27 Percent Post Cost Recovery Working (Economic) Interest <sup>(1)</sup>												$P_g$ <sup>(4)</sup> (decimal)
	Oil (MMBBL)			Free Gas (BCF)			Condensate <sup>(2)</sup> (MMBBL)			Solution Gas <sup>(3)</sup> (BCF)			
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	
Eko Prospect	3.0	8.7	24.4	10.3	30.5	88.5	0.6	2.0	6.0	1.8	5.2	14.7	0.27
Ogo Prospect	0.4	1.8	7.5	2.1	9.9	52.2	0.1	0.6	3.5	0.2	1.1	4.5	0.25
Agege Prospect	11.0	25.0	59.3	8.3	25.9	100.1	0.5	1.7	6.7	6.6	14.9	35.8	0.08
Ado Lead	6.0	14.2	31.6	26.5	52.1	98.0	1.7	3.4	6.8	3.6	8.5	19.1	0.07
Shasha Lead	8.1	20.5	47.7	50.3	102.6	208.0	3.2	6.8	14.4	4.8	12.3	28.8	0.12
Total <sup>(5)</sup>	28.5	70.3	170.6	97.6	220.9	546.9	6.1	14.5	37.2	17.0	42.0	103.0	

<sup>(1)</sup> Unrisks gross (100 percent) and net prospective resources volumes are the arithmetic sum of multiple probability distributions.

<sup>(2)</sup> The condensate-gas ratios used for the low, best, and high estimates are 40, 60, and 100 barrels per million cubic feet, respectively.

<sup>(3)</sup> The gas-oil ratios used for the low, best, and high estimates are 500, 600, and 700 standard cubic feet per stock tank barrel, respectively.

<sup>(4)</sup> The  $P_g$  for these prospects and leads ranges from 0.07 to 0.27, which is equivalent to 73 to 93 percent chance of failure and therefore represents low risk to high risk exploration.

<sup>(5)</sup> Totals may not add because of rounding.

The oil resources shown include crude oil only. Oil and condensate volumes are expressed in millions of barrels (MMBBL); a barrel is equivalent to 42 United States gallons. Gas volumes are expressed in billions of cubic feet (BCF) at standard temperature and pressure bases.

The prospective resources shown in this report have been estimated using a combination of deterministic and probabilistic methods and are dependent on a petroleum discovery being made. If a discovery is made and development is undertaken, the probability that the recoverable volumes will equal or exceed the unrisks estimated amounts is 90 percent for the low estimate, 50 percent for the best estimate, and 10 percent for the high estimate. As recommended in the PRMS, the low, best, and high estimate prospective resources have been aggregated by arithmetic summation; therefore, these totals do not include the portfolio effect that might result from statistical aggregation.

Unrisked prospective resources are estimated ranges of recoverable oil and gas volumes assuming their discovery and development and are based on estimated ranges of undiscovered in-place volumes. Geologic risking of prospective resources addresses the probability of success for the discovery of a significant quantity of potentially moveable petroleum; this risk analysis is conducted independent of estimations of petroleum volumes and without regard to the chance of development. Principal geologic risk elements of the petroleum system include (1) trap and seal characteristics; (2) reservoir presence and quality; (3) source rock capacity, quality, and maturity; and (4) timing, migration, and preservation of petroleum in relation to trap and seal formation. Risk assessment is a highly subjective process dependent upon the experience and judgment of the evaluators and is subject to revision with further data acquisition or interpretation. Included in this report is a discussion of the primary geologic risk elements for each prospect and lead.

Each prospect and lead was evaluated to determine probabilistic ranges of in-place and recoverable petroleum and was risked as an independent entity without dependency between potential prospect and lead drilling outcomes. If petroleum discoveries are made, smaller-volume prospects and leads may not be commercial to independently develop, although they may become candidates for satellite developments and tie-backs to existing infrastructure at some future date. The development infrastructure and data obtained from early discoveries will alter both geologic risk and future economics of subsequent discoveries and developments.

As shown in the Table of Contents, the Technical Discussion section of this report includes a general overview of OPL 310, a summary of the license terms, a review of the data available for this evaluation, an overview of the geologic setting and previous exploration, and a discussion of the technical approach used in our assessments. Included in the Figures section are pertinent maps, seismic lines, tables, and exhibits.

For the purposes of this report, we did not perform any field inspection of the prospects and leads. Based on the information provided by Afren, it is our opinion that a field visit was not required and would not materially affect our evaluation. We have not investigated possible environmental liability related to the prospects and leads.

It should be understood that the prospective resources discussed and shown herein are those undiscovered, highly speculative resources estimated beyond reserves or contingent resources where geological and geophysical data suggest the potential for discovery of petroleum but where the level of proof is insufficient for classification as reserves or contingent resources. The unrisked prospective resources shown in this report are the range of volumes that could reasonably be expected to be recovered in the event of the discovery and development of these prospects and leads.

For the purposes of this report, we used technical data including, but not limited to, well logs, geologic maps, seismic data, well test data, and property ownership interests. The resources in this report have been estimated using a combination of deterministic and probabilistic methods; these estimates have been prepared in accordance with generally accepted petroleum engineering and evaluation principles set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the SPE (SPE Standards). We used standard engineering and geoscience methods, or a combination of methods, including volumetric analysis and analogy, that we considered to be appropriate and necessary to classify, categorize, and estimate volumes in accordance with the 2007 PRMS definitions and guidelines. These resources are for undeveloped locations; such resources are based on estimates of reservoir volumes and recovery efficiencies along with analogy to properties with similar geologic and reservoir characteristics. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, our conclusions necessarily represent only informed professional judgment.

We affirm that from the as-of date of this report, March 31, 2013, to the date of issuance of this report, May 10, 2013, that (1) there are no matters known to Netherland, Sewell & Associates, Inc. (NSAI) that would require a change to this report, and (2) NSAI is not aware of any matter in relation to this report that it believes should and may not yet have been brought to the attention of Lekoil.

NSAI performs consulting petroleum engineering services under Texas Board of Professional Engineers Registration No. F-2699. We provide a complete range of geological, geophysical, petrophysical, and engineering services, and we have the technical expertise and ability to perform these services in any oil and gas producing area in the world. The staff is familiar with recognized industry reserves and resources definitions,

specifically those promulgated by the U.S. Securities and Exchange Commission, those by the Alberta Securities Commission, and those by the Society of Petroleum Engineers, Society of Petroleum Evaluation Engineers, World Petroleum Council, and American Association of Petroleum Geologists.

NSAI has prepared thousands of independent technical reports for clients, including small privately owned oil and gas companies, major and independent oil and gas companies, national oil and gas companies, financial institutions, and investors. The firm has performed field characterization and reserves assessments that range from exploration areas and early appraisal drilling to fully developed fields. The staff has extensive worldwide experience in the geology and petrophysics of complex structural and stratigraphic fields and unconventional reservoirs such as fractured basement, tight gas, shale gas, and coalbed methane.

Our reservoir engineering experience includes reserves determination, reservoir simulation, material balance, production analysis, well test analysis, wellbore inflow/outflow modeling, probabilistic modeling, fluid analysis, and economic evaluation. The firm also has staff engineers who specialize in field operations, facilities planning and design, and drilling.

This evaluation has been led by Mr. Philip R. Hodgson and Mr. Joseph J. Spellman. Mr. Hodgson is a geoscientist in the firm's Dallas office. He has 28 years of experience in the petroleum industry, including 15 years at NSAI, and is a Licensed Professional Geoscientist in the State of Texas (Texas Registration No. 1314). Mr. Spellman is a Senior Vice President and team leader in the firm's Dallas office. He has over 32 years of experience in the petroleum industry, including 24 with NSAI, and is a Licensed Professional Engineer in the State of Texas (Texas Registration No. 73709).

The data used in our estimates were obtained from Lekoil, Afren, public data sources, and the nonconfidential files of NSAI and were accepted as accurate. Supporting work data are on file in our office. Although certain information used in the preparation of this report has been provided by Lekoil, this report is an independent opinion. The contractual rights to the prospects and leads have not been examined by NSAI, nor has the actual degree or type of interest owned been independently confirmed. The technical persons responsible for preparing the estimates presented herein meet the requirements regarding qualifications, independence, objectivity, and confidentiality set forth in the SPE Standards. We are independent petroleum engineers, geologists, geophysicists, and petrophysicists; we do not own an interest in these prospects and leads nor are we employed on a contingent basis, and we are not officers or proposed officers of any group, holding, or associated company of Lekoil. Furthermore, none of our staff or associates own shares or equity in Lekoil.

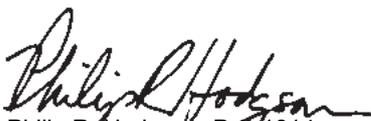
Sincerely,

**NETHERLAND, SEWELL & ASSOCIATES, INC.**  
Texas Registered Engineering Firm F-2699

By: 

C.H. (Scott) Rees III, P.E.  
Chairman and Chief Executive Officer

By:   
Joseph J. Spellman, P.E. 73709  
Senior Vice President

By:   
Philip R. Hodgson, P.E. 1314  
Vice President

Date Signed: May 10, 2013

Date Signed: May 10, 2013

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## PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS

Excerpted from the Petroleum Resources Management System Approved by the Society of Petroleum Engineers (SPE) Board of Directors, March 2007

This document contains information excerpted from definitions and guidelines prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE) and reviewed and jointly sponsored by the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG), and the Society of Petroleum Evaluation Engineers (SPEE).

### Preamble

Petroleum resources are the estimated quantities of hydrocarbons naturally occurring on or within the Earth's crust. Resource assessments estimate total quantities in known and yet-to-be-discovered accumulations; resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resources management system provides a consistent approach to estimating petroleum quantities, evaluating development projects, and presenting results within a comprehensive classification framework.

These definitions and guidelines are designed to provide a common reference for the international petroleum industry, including national reporting and regulatory disclosure agencies, and to support petroleum project and portfolio management requirements. They are intended to improve clarity in global communications regarding petroleum resources. It is expected that this document will be supplemented with industry education programs and application guides addressing their implementation in a wide spectrum of technical and/or commercial settings.

It is understood that these definitions and guidelines allow flexibility for users and agencies to tailor application for their particular needs; however, any modifications to the guidance contained herein should be clearly identified. The definitions and guidelines contained in this document must not be construed as modifying the interpretation or application of any existing regulatory reporting requirements.

### 1.0 Basic Principles and Definitions

The estimation of petroleum resource quantities involves the interpretation of volumes and values that have an inherent degree of uncertainty. These quantities are associated with development projects at various stages of design and implementation. Use of a consistent classification system enhances comparisons between projects, groups of projects, and total company portfolios according to forecast production profiles and recoveries. Such a system must consider both technical and commercial factors that impact the project's economic feasibility, its productive life, and its related cash flows.

#### 1.1 Petroleum Resources Classification Framework

Petroleum is defined as a naturally occurring mixture consisting of hydrocarbons in the gaseous, liquid, or solid phase. Petroleum may also contain non-hydrocarbons, common examples of which are carbon dioxide, nitrogen, hydrogen sulfide and sulfur. In rare cases, non-hydrocarbon content could be greater than 50%.

The term "resources" as used herein is intended to encompass all quantities of petroleum naturally occurring on or within the Earth's crust, discovered and undiscovered (recoverable and unrecoverable), plus those quantities already produced. Further, it includes all types of petroleum whether currently considered "conventional" or "unconventional."

Figure 1-1 is a graphical representation of the SPE/WPC/AAPG/SPEE resources classification system. The system defines the major recoverable resources classes: Production, Reserves, Contingent Resources, and Prospective Resources, as well as Unrecoverable petroleum.

The "Range of Uncertainty" reflects a range of estimated quantities potentially recoverable from an accumulation by a project, while the vertical axis represents the "Chance of

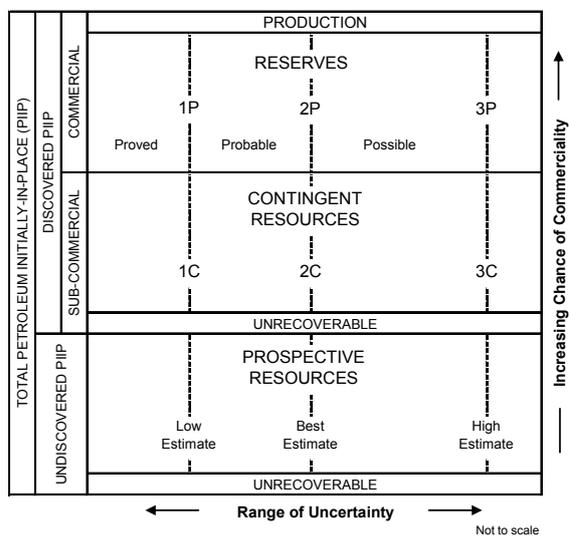


Figure 1-1: Resources Classification Framework.

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Commerciality", that is, the chance that the project that will be developed and reach commercial producing status. The following definitions apply to the major subdivisions within the resources classification:

**TOTAL PETROLEUM INITIALLY-IN-PLACE** is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production plus those estimated quantities in accumulations yet to be discovered (equivalent to "total resources").

**DISCOVERED PETROLEUM INITIALLY-IN-PLACE** is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production.

**PRODUCTION** is the cumulative quantity of petroleum that has been recovered at a given date. While all recoverable resources are estimated and production is measured in terms of the sales product specifications, raw production (sales plus non-sales) quantities are also measured and required to support engineering analyses based on reservoir voidage (see Production Measurement, section 3.2).

Multiple development projects may be applied to each known accumulation, and each project will recover an estimated portion of the initially-in-place quantities. The projects shall be subdivided into Commercial and Sub-Commercial, with the estimated recoverable quantities being classified as Reserves and Contingent Resources respectively, as defined below.

**RESERVES** are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.

**CONTINGENT RESOURCES** are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be subclassified based on project maturity and/or characterized by their economic status.

**UNDISCOVERED PETROLEUM INITIALLY-IN-PLACE** is that quantity of petroleum estimated, as of a given date, to be contained within accumulations yet to be discovered.

**PROSPECTIVE RESOURCES** are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

**UNRECOVERABLE** is that portion of Discovered or Undiscovered Petroleum Initially-in-Place quantities which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

Estimated Ultimate Recovery (EUR) is not a resources category, but a term that may be applied to any accumulation or group of accumulations (discovered or undiscovered) to define those quantities of petroleum estimated, as of a given date, to be potentially recoverable under defined technical and commercial conditions plus those quantities already produced (total of recoverable resources).

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### 1.2 Project-Based Resources Evaluations

The resources evaluation process consists of identifying a recovery project, or projects, associated with a petroleum accumulation(s), estimating the quantities of Petroleum Initially-in-Place, estimating that portion of those in-place quantities that can be recovered by each project, and classifying the project(s) based on its maturity status or chance of commerciality.

This concept of a project-based classification system is further clarified by examining the primary data sources contributing to an evaluation of net recoverable resources (see Figure 1-2) that may be described as follows:

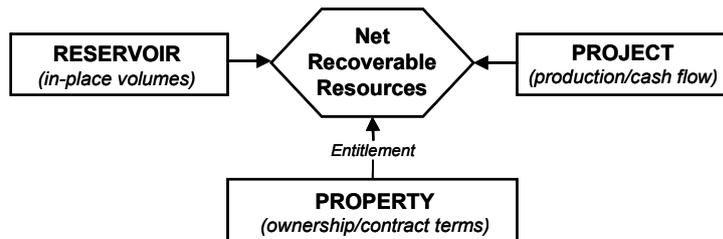


Figure 1-2: Resources Evaluation Data Sources.

- The Reservoir (accumulation): Key attributes include the types and quantities of Petroleum Initially-in-Place and the fluid and rock properties that affect petroleum recovery.
- The Project: Each project applied to a specific reservoir development generates a unique production and cash flow schedule. The time integration of these schedules taken to the project's technical, economic, or contractual limit defines the estimated recoverable resources and associated future net cash flow projections for each project. The ratio of EUR to Total Initially-in-Place quantities defines the ultimate recovery efficiency for the development project(s). A project may be defined at various levels and stages of maturity; it may include one or many wells and associated production and processing facilities. One project may develop many reservoirs, or many projects may be applied to one reservoir.
- The Property (lease or license area): Each property may have unique associated contractual rights and obligations including the fiscal terms. Such information allows definition of each participant's share of produced quantities (entitlement) and share of investments, expenses, and revenues for each recovery project and the reservoir to which it is applied. One property may encompass many reservoirs, or one reservoir may span several different properties. A property may contain both discovered and undiscovered accumulations.

In context of this data relationship, "project" is the primary element considered in this resources classification, and net recoverable resources are the incremental quantities derived from each project. Project represents the link between the petroleum accumulation and the decision-making process. A project may, for example, constitute the development of a single reservoir or field, or an incremental development for a producing field, or the integrated development of several fields and associated facilities with a common ownership. In general, an individual project will represent the level at which a decision is made whether or not to proceed (i.e., spend more money) and there should be an associated range of estimated recoverable quantities for that project.

An accumulation or potential accumulation of petroleum may be subject to several separate and distinct projects that are at different stages of exploration or development. Thus, an accumulation may have recoverable quantities in several resource classes simultaneously.

In order to assign recoverable resources of any class, a development plan needs to be defined consisting of one or more projects. Even for Prospective Resources, the estimates of recoverable quantities must be stated in terms of the sales products derived from a development program assuming successful discovery and commercial development. Given the major uncertainties involved at this early stage, the development program will not be of the detail expected in later stages of maturity. In most cases, recovery efficiency may be largely based on analogous projects. In-place quantities for which a feasible project cannot be defined using current, or reasonably forecast improvements in, technology are classified as Unrecoverable.

Not all technically feasible development plans will be commercial. The commercial viability of a development project is dependent on a forecast of the conditions that will exist during the time period encompassed by the project's activities (see

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Commercial Evaluations, section 3.1). "Conditions" include technological, economic, legal, environmental, social, and governmental factors. While economic factors can be summarized as forecast costs and product prices, the underlying influences include, but are not limited to, market conditions, transportation and processing infrastructure, fiscal terms, and taxes.

The resource quantities being estimated are those volumes producible from a project as measured according to delivery specifications at the point of sale or custody transfer (see Reference Point, section 3.2.1). The cumulative production from the evaluation date forward to cessation of production is the remaining recoverable quantity. The sum of the associated annual net cash flows yields the estimated future net revenue. When the cash flows are discounted according to a defined discount rate and time period, the summation of the discounted cash flows is termed net present value (NPV) of the project (see Evaluation and Reporting Guidelines, section 3.0).

The supporting data, analytical processes, and assumptions used in an evaluation should be documented in sufficient detail to allow an independent evaluator or auditor to clearly understand the basis for estimation and categorization of recoverable quantities and their classification.

### 2.0 Classification and Categorization Guidelines

#### 2.1 Resources Classification

The basic classification requires establishment of criteria for a petroleum discovery and thereafter the distinction between commercial and sub-commercial projects in known accumulations (and hence between Reserves and Contingent Resources).

##### 2.1.1 Determination of Discovery Status

A discovery is one petroleum accumulation, or several petroleum accumulations collectively, for which one or several exploratory wells have established through testing, sampling, and/or logging the existence of a significant quantity of potentially moveable hydrocarbons.

In this context, "significant" implies that there is evidence of a sufficient quantity of petroleum to justify estimating the in-place volume demonstrated by the well(s) and for evaluating the potential for economic recovery. Estimated recoverable quantities within such a discovered (known) accumulation(s) shall initially be classified as Contingent Resources pending definition of projects with sufficient chance of commercial development to reclassify all, or a portion, as Reserves. Where in-place hydrocarbons are identified but are not considered currently recoverable, such quantities may be classified as Discovered Unrecoverable, if considered appropriate for resource management purposes; a portion of these quantities may become recoverable resources in the future as commercial circumstances change or technological developments occur.

##### 2.1.2 Determination of Commerciality

Discovered recoverable volumes (Contingent Resources) may be considered commercially producible, and thus Reserves, if the entity claiming commerciality has demonstrated firm intention to proceed with development and such intention is based upon all of the following criteria:

- Evidence to support a reasonable timetable for development.
- A reasonable assessment of the future economics of such development projects meeting defined investment and operating criteria.
- A reasonable expectation that there will be a market for all or at least the expected sales quantities of production required to justify development.
- Evidence that the necessary production and transportation facilities are available or can be made available.
- Evidence that legal, contractual, environmental and other social and economic concerns will allow for the actual implementation of the recovery project being evaluated.

To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability. There must be a reasonable expectation that all required internal and external approvals will be forthcoming, and there is evidence of firm intention to proceed with development within a reasonable time frame. A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While 5 years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented.

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To be included in the Reserves class, there must be a high confidence in the commercial producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.

### 2.2 Resources Categorization

The horizontal axis in the Resources Classification (Figure 1.1) defines the range of uncertainty in estimates of the quantities of recoverable, or potentially recoverable, petroleum associated with a project. These estimates include both technical and commercial uncertainty components as follows:

- The total petroleum remaining within the accumulation (in-place resources).
- That portion of the in-place petroleum that can be recovered by applying a defined development project or projects.
- Variations in the commercial conditions that may impact the quantities recovered and sold (e.g., market availability, contractual changes).

Where commercial uncertainties are such that there is significant risk that the complete project (as initially defined) will not proceed, it is advised to create a separate project classified as Contingent Resources with an appropriate chance of commerciality.

#### 2.2.1 Range of Uncertainty

The range of uncertainty of the recoverable and/or potentially recoverable volumes may be represented by either deterministic scenarios or by a probability distribution (see Deterministic and Probabilistic Methods, section 4.2).

When the range of uncertainty is represented by a probability distribution, a low, best, and high estimate shall be provided such that:

- There should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate.
- There should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate.
- There should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

When using the deterministic scenario method, typically there should also be low, best, and high estimates, where such estimates are based on qualitative assessments of relative uncertainty using consistent interpretation guidelines. Under the deterministic incremental (risk-based) approach, quantities at each level of uncertainty are estimated discretely and separately (see Category Definitions and Guidelines, section 2.2.2).

These same approaches to describing uncertainty may be applied to Reserves, Contingent Resources, and Prospective Resources. While there may be significant risk that sub-commercial and undiscovered accumulations will not achieve commercial production, it is useful to consider the range of potentially recoverable quantities independently of such a risk or consideration of the resource class to which the quantities will be assigned.

#### 2.2.2 Category Definitions and Guidelines

Evaluators may assess recoverable quantities and categorize results by uncertainty using the deterministic incremental (risk-based) approach, the deterministic scenario (cumulative) approach, or probabilistic methods (see "2001 Supplemental Guidelines," Chapter 2.5). In many cases, a combination of approaches is used.

Use of consistent terminology (Figure 1.1) promotes clarity in communication of evaluation results. For Reserves, the general cumulative terms low/best/high estimates are denoted as 1P/2P/3P, respectively. The associated incremental quantities are termed Proved, Probable and Possible. Reserves are a subset of, and must be viewed within context of, the complete resources classification system. While the categorization criteria are proposed specifically for Reserves, in most cases, they can be equally applied to Contingent and Prospective Resources conditional upon their satisfying the criteria for discovery and/or development.

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For Contingent Resources, the general cumulative terms low/best/high estimates are denoted as 1C/2C/3C respectively. For Prospective Resources, the general cumulative terms low/best/high estimates still apply. No specific terms are defined for incremental quantities within Contingent and Prospective Resources.

Without new technical information, there should be no change in the distribution of technically recoverable volumes and their categorization boundaries when conditions are satisfied sufficiently to reclassify a project from Contingent Resources to Reserves. All evaluations require application of a consistent set of forecast conditions, including assumed future costs and prices, for both classification of projects and categorization of estimated quantities recovered by each project (see Commercial Evaluations, section 3.1).

Based on additional data and updated interpretations that indicate increased certainty, portions of Possible and Probable Reserves may be re-categorized as Probable and Proved Reserves.

Uncertainty in resource estimates is best communicated by reporting a range of potential results. However, if it is required to report a single representative result, the "best estimate" is considered the most realistic assessment of recoverable quantities. It is generally considered to represent the sum of Proved and Probable estimates (2P) when using the deterministic scenario or the probabilistic assessment methods. It should be noted that under the deterministic incremental (risk-based) approach, discrete estimates are made for each category, and they should not be aggregated without due consideration of their associated risk (see "2001 Supplemental Guidelines," Chapter 2.5).

**Table 1: Recoverable Resources Classes and Sub-Classes**

<b>Class/Sub-Class</b>	<b>Definition</b>	<b>Guidelines</b>
<b>Reserves</b>	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.	<p>Reserves must satisfy four criteria: they must be discovered, recoverable, commercial, and remaining based on the development project(s) applied. Reserves are further subdivided in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their development and production status.</p> <p>To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability. There must be a reasonable expectation that all required internal and external approvals will be forthcoming, and there is evidence of firm intention to proceed with development within a reasonable time frame.</p> <p>A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While 5 years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented.</p> <p>To be included in the Reserves class, there must be a high confidence in the commercial producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.</p>
On Production	The development project is currently producing and selling petroleum to market.	<p>The key criterion is that the project is receiving income from sales, rather than the approved development project necessarily being complete. This is the point at which the project "chance of commerciality" can be said to be 100%.</p> <p>The project "decision gate" is the decision to initiate commercial production from the project.</p>

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Class/Sub-Class	Definition	Guidelines
Approved for Development	All necessary approvals have been obtained, capital funds have been committed, and implementation of the development project is under way.	<p>At this point, it must be certain that the development project is going ahead. The project must not be subject to any contingencies such as outstanding regulatory approvals or sales contracts. Forecast capital expenditures should be included in the reporting entity's current or following year's approved budget.</p> <p>The project "decision gate" is the decision to start investing capital in the construction of production facilities and/or drilling development wells.</p>
Justified for Development	Implementation of the development project is justified on the basis of reasonable forecast commercial conditions at the time of reporting, and there are reasonable expectations that all necessary approvals/contracts will be obtained.	<p>In order to move to this level of project maturity, and hence have reserves associated with it, the development project must be commercially viable at the time of reporting, based on the reporting entity's assumptions of future prices, costs, etc. ("forecast case") and the specific circumstances of the project. Evidence of a firm intention to proceed with development within a reasonable time frame will be sufficient to demonstrate commerciality. There should be a development plan in sufficient detail to support the assessment of commerciality and a reasonable expectation that any regulatory approvals or sales contracts required prior to project implementation will be forthcoming. Other than such approvals/contracts, there should be no known contingencies that could preclude the development from proceeding within a reasonable timeframe (see Reserves class).</p> <p>The project "decision gate" is the decision by the reporting entity and its partners, if any, that the project has reached a level of technical and commercial maturity sufficient to justify proceeding with development at that point in time.</p>
<b>Contingent Resources</b>	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.	Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.
Development Pending	A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future.	<p>The project is seen to have reasonable potential for eventual commercial development, to the extent that further data acquisition (e.g. drilling, seismic data) and/or evaluations are currently ongoing with a view to confirming that the project is commercially viable and providing the basis for selection of an appropriate development plan. The critical contingencies have been identified and are reasonably expected to be resolved within a reasonable time frame. Note that disappointing appraisal/evaluation results could lead to a re-classification of the project to "On Hold" or "Not Viable" status.</p> <p>The project "decision gate" is the decision to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity at which a decision can be made to proceed with development and production.</p>
Development Unclarified or on Hold	A discovered accumulation where project activities are on hold and/or where justification as a commercial development may be subject to significant delay.	<p>The project is seen to have potential for eventual commercial development, but further appraisal/evaluation activities are on hold pending the removal of significant contingencies external to the project, or substantial further appraisal/evaluation activities are required to clarify the potential for eventual commercial development. Development may be subject to a significant time delay. Note that a change in circumstances, such that there is no longer a reasonable expectation that a critical contingency can be removed in the foreseeable future, for example, could lead to a reclassification of the project to "Not Viable" status.</p> <p>The project "decision gate" is the decision to either proceed with additional evaluation designed to clarify the potential for eventual commercial development or to temporarily suspend or delay further activities pending resolution of external contingencies.</p>

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<b>Class/Sub-Class</b>	<b>Definition</b>	<b>Guidelines</b>
Development Not Viable	A discovered accumulation for which there are no current plans to develop or to acquire additional data at the time due to limited production potential.	The project is not seen to have potential for eventual commercial development at the time of reporting, but the theoretically recoverable quantities are recorded so that the potential opportunity will be recognized in the event of a major change in technology or commercial conditions.  The project "decision gate" is the decision not to undertake any further data acquisition or studies on the project for the foreseeable future.
<b>Prospective Resources</b>	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.	Potential accumulations are evaluated according to their chance of discovery and, assuming a discovery, the estimated quantities that would be recoverable under defined development projects. It is recognized that the development programs will be of significantly less detail and depend more heavily on analog developments in the earlier phases of exploration.
Prospect	A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target.	Project activities are focused on assessing the chance of discovery and, assuming discovery, the range of potential recoverable quantities under a commercial development program.
Lead	A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect.	Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the lead can be matured into a prospect. Such evaluation includes the assessment of the chance of discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.
Play	A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects.	Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to define specific leads or prospects for more detailed analysis of their chance of discovery and, assuming discovery, the range of potential recovery under hypothetical development scenarios.

**Table 2: Reserves Status Definitions and Guidelines**

<b>Status</b>	<b>Definition</b>	<b>Guidelines</b>
<b>Developed Reserves</b>	Developed Reserves are expected quantities to be recovered from existing wells and facilities.	Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-Producing.
Developed Producing Reserves	Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.	Improved recovery reserves are considered producing only after the improved recovery project is in operation.
Developed Non-Producing Reserves	Developed Non-Producing Reserves include shut-in and behind-pipe Reserves.	Shut-in Reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future re-completion prior to start of production.  In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

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Status	Definition	Guidelines
<b>Undeveloped Reserves</b>	Undeveloped Reserves are quantities expected to be recovered through future investments:	(1) from new wells on undrilled acreage in known accumulations, (2) from deepening existing wells to a different (but known) reservoir, (3) from infill wells that will increase recovery, or (4) where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

**Table 3: Reserves Category Definitions and Guidelines**

Category	Definition	Guidelines
<b>Proved Reserves</b>	Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations.	<p>If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.</p> <p>The area of the reservoir considered as Proved includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) adjacent undrilled portions of the reservoir that can reasonably be judged as continuous with it and commercially productive on the basis of available geoscience and engineering data.</p> <p>In the absence of data on fluid contacts, Proved quantities in a reservoir are limited by the lowest known hydrocarbon (LKH) as seen in a well penetration unless otherwise indicated by definitive geoscience, engineering, or performance data. Such definitive information may include pressure gradient analysis and seismic indicators. Seismic data alone may not be sufficient to define fluid contacts for Proved reserves (see "2001 Supplemental Guidelines," Chapter 8).</p> <p>Reserves in undeveloped locations may be classified as Proved provided that:</p> <ul style="list-style-type: none"> <li>• The locations are in undrilled areas of the reservoir that can be judged with reasonable certainty to be commercially productive.</li> <li>• Interpretations of available geoscience and engineering data indicate with reasonable certainty that the objective formation is laterally continuous with drilled Proved locations.</li> </ul> <p>For Proved Reserves, the recovery efficiency applied to these reservoirs should be defined based on a range of possibilities supported by analogs and sound engineering judgment considering the characteristics of the Proved area and the applied development program.</p>
<b>Probable Reserves</b>	Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves.	<p>It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.</p> <p>Probable Reserves may be assigned to areas of a reservoir adjacent to Proved where data control or interpretations of available data are less certain. The interpreted reservoir continuity may not meet the reasonable certainty criteria.</p> <p>Probable estimates also include incremental recoveries associated with project recovery efficiencies beyond that assumed for Proved.</p>

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Category	Definition	Guidelines
<b>Possible Reserves</b>	Possible Reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than Probable Reserves.	<p>The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.</p> <p>Possible Reserves may be assigned to areas of a reservoir adjacent to Probable where data control and interpretations of available data are progressively less certain. Frequently, this may be in areas where geoscience and engineering data are unable to clearly define the area and vertical reservoir limits of commercial production from the reservoir by a defined project.</p> <p>Possible estimates also include incremental quantities associated with project recovery efficiencies beyond that assumed for Probable.</p>
<b>Probable and Possible Reserves</b>	(See above for separate criteria for Probable Reserves and Possible Reserves.)	<p>The 2P and 3P estimates may be based on reasonable alternative technical and commercial interpretations within the reservoir and/or subject project that are clearly documented, including comparisons to results in successful similar projects.</p> <p>In conventional accumulations, Probable and/or Possible Reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from Proved areas by minor faulting or other geological discontinuities and have not been penetrated by a wellbore but are interpreted to be in communication with the known (Proved) reservoir. Probable or Possible Reserves may be assigned to areas that are structurally higher than the Proved area. Possible (and in some cases, Probable) Reserves may be assigned to areas that are structurally lower than the adjacent Proved or 2P area.</p> <p>Caution should be exercised in assigning Reserves to adjacent reservoirs isolated by major, potentially sealing, faults until this reservoir is penetrated and evaluated as commercially productive. Justification for assigning Reserves in such cases should be clearly documented. Reserves should not be assigned to areas that are clearly separated from a known accumulation by non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results); such areas may contain Prospective Resources.</p> <p>In conventional accumulations, where drilling has defined a highest known oil (HKO) elevation and there exists the potential for an associated gas cap, Proved oil Reserves should only be assigned in the structurally higher portions of the reservoir if there is reasonable certainty that such portions are initially above bubble point pressure based on documented engineering analyses. Reservoir portions that do not meet this certainty may be assigned as Probable and Possible oil and/or gas based on reservoir fluid properties and pressure gradient interpretations.</p>

The 2007 Petroleum Resources Management System can be viewed in its entirety at  
<http://www.spe.org/spe-app/spe/industry/reserves/prms.htm>.

CERTIFICATE OF QUALIFICATION

I, Philip R. Hodgson, Licensed Professional Geoscientist, 4500 Thanksgiving Tower, 1601 Elm Street, Dallas, Texas, 75201, hereby certify:

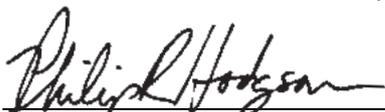
I am an employee of Netherland, Sewell & Associates, Inc., which prepared a detailed analysis of certain oil and gas properties of Lekoil Limited and Afren plc. The effective date of this evaluation is March 31, 2013.

I do not have, nor do I expect to receive, any direct or indirect interest in the securities of Lekoil Limited or Afren plc or their affiliated companies.

I attended Purdue University, I graduated in 1984 with a Master of Science Degree in Geophysics, and I graduated in 1982 with a Bachelor of Science Degree in Geology; I am a Licensed Professional Geoscientist in the State of Texas, United States of America; and I have in excess of 28 years of experience in geological and geophysical studies and evaluations.

A personal field inspection of the properties was not made; however, such an inspection was not considered necessary in view of the information available from public information or records, the files of Lekoil Limited and Afren plc, and the appropriate regulatory authorities.

By:



Philip R. Hodgson, P.G.  
Vice President  
Texas Registration No. 1314

May 10, 2013  
Dallas, Texas

CERTIFICATE OF QUALIFICATION

I, Joseph J. Spellman, Licensed Professional Engineer, 4500 Thanksgiving Tower, 1601 Elm Street, Dallas, Texas, 75201, hereby certify:

I am an employee of Netherland, Sewell & Associates, Inc., which prepared a detailed analysis of certain oil and gas properties of Lekoil Limited and Afren plc. The effective date of this evaluation is March 31, 2013.

I do not have, nor do I expect to receive, any direct or indirect interest in the securities of Lekoil Limited or Afren plc or their affiliated companies.

I attended University of Wisconsin-Platteville, and I graduated in 1980 with a Bachelor of Science Degree in Civil Engineering; I am a Licensed Professional Engineer in the State of Texas, United States of America; and I have in excess of 32 years of experience in petroleum engineering studies and evaluations.

A personal field inspection of the properties was not made; however, such an inspection was not considered necessary in view of the information available from public information or records, the files of Lekoil Limited and Afren plc, and the appropriate regulatory authorities.

By:   
Joseph J. Spellman, P.E.  
Senior Vice President  
Texas Registration No. 73709

May 10, 2013  
Dallas, Texas

## ABBREVIATIONS

10 <sup>3</sup> m <sup>3</sup>	thousands of cubic meters
1-S <sub>w</sub>	hydrocarbon saturation
Afren	Afren plc
BBL/MMCF	barrels per million cubic feet
BCF	billions of cubic feet
B <sub>g</sub>	gas formation volume factor
B <sub>o</sub>	oil formation volume factor
CGR	condensate-gas ratio
Chariot	Chariot Oil and Gas Limited
DSDP	Deep Sea Drilling Project
FVF	formation volume factor
GOR	gas-oil ratio
GRV	gross rock volume
km	kilometers
km <sup>2</sup>	square kilometers
Lekoil	Lekoil Limited
m	meters
Max	maximum
Mayfair	Mayfair Assets & Trust Limited
Min	minimum
ML	most likely
MMBBL	millions of barrels
NAMCOR	National Petroleum Corporation of Namibia (Pty) Limited
NSAI	Netherland, Sewell & Associates, Inc.
NTG	net-to-gross ratio
OGIP	original gas-in-place
OML	Oil Mining Lease
OOIP	original oil-in-place
OPL	Oil Prospecting License

## ABBREVIATIONS

Optimum	Optimum Petroleum Development Limited
P5	5 percent confidence level
P10	10 percent confidence level
P90	90 percent confidence level
P95	95 percent confidence level
$P_g$	probability of geologic success
PreSDM	prestack depth migration
PRMS	Petroleum Resources Management System
RF	recovery factor
RB/STB	reservoir barrels per stock tank barrel
RMS	root mean square
SCF/RCF	standard cubic feet per reservoir cubic foot
SCF/STB	standard cubic feet per stock tank barrel
$S_g$	gas saturation
$S_o$	oil saturation
SPE	Society of Petroleum Engineers
SPE Standards	Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the SPE
TVDSS	true vertical depth subsea
US\$	United States dollars

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TABLE I  
SUMMARY TABLE OF ASSETS  
LEKOIL LIMITED  
AS OF MARCH 31, 2013

Country License or Block	Operator	Economic Interest (Percent)	Participating Interest (Percent)	Status	License or Block Expiration Date	License or Block Area (km <sup>2</sup> )
Offshore Nigeria Oil Prospecting License 310	Optimum Petroleum Development Limited <sup>(1)</sup>	27.00 <sup>(2)(3)</sup>	15.43 <sup>(3)</sup>	Exploration	February 19, 2019 <sup>(4)</sup>	1,850
Offshore Namibia Blocks 2514 A & B	Lekoil Exploration and Production (Pty) Ltd.	69.75	69.75	Exploration	July 26, 2016	11,159

<sup>(1)</sup> Oil Prospecting License 310 is operated by Optimum Petroleum Development Limited, with Afren plc acting as technical advisor.

<sup>(2)</sup> The 27.00 percent economic interest shown is Lekoil Limited's post cost recovery working interest.

<sup>(3)</sup> Lekoil Limited will acquire a 27.00 percent post cost recovery working (economic) interest in Oil Prospecting License 310 through its subsidiary Mayfair Assets & Trust Limited, which has signed a conditional farm-out agreement with Afren plc that is subject to consent of the Minister of Petroleum Resources in Nigeria. Lekoil Limited's 27.00 post cost recovery working (economic) interest equates to a 15.43 percent participating interest in Oil Prospecting License 310.

<sup>(4)</sup> If a commercial discovery is made, and pursuant to the Nigerian Petroleum Act, the underlying oil prospecting license can be converted to an oil mining lease, which would extend the license term by 20 years.

Table I

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

TABLE II  
SUMMARY OF UNDISCOVERED IN-PLACE VOLUMES AND UNRISKED GROSS (100 PERCENT) PROSPECTIVE RESOURCES  
OPL 310, OFFSHORE NIGERIA  
AS OF MARCH 31, 2013

Prospect or Lead/ Reservoir	Undiscovered In-Place Volumes						Unrisked Gross (100 Percent) Prospective Resources												
	Oil (MMBBL)			Gas (BCF)			Oil (MMBBL)			Free Gas (BCF)			Condensate <sup>(1)</sup> (MMBBL)			Solution Gas <sup>(2)</sup> (MMBBL)			
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	
<b>Eko Prospect</b>																			
Turonian	1.7	8.3	32.1	11.7	44.7	152.0	0.4	2.5	10.8	7.9	32.4	118.3	0.5	2.1	7.9	0.3	1.5	6.4	
Upper Cenomanian	27.2	59.9	134.0	-	-	-	6.9	17.8	46.1	-	-	-	-	-	-	4.1	10.7	27.8	
Lower Cenomanian	9.9	23.0	52.0	-	-	-	2.5	6.8	17.6	-	-	-	-	-	-	1.5	4.1	10.7	
Lower Albian	5.1	17.2	47.6	44.4	111.8	274.1	1.4	5.1	16.0	30.3	80.5	209.7	1.9	5.3	14.2	0.8	3.0	9.6	
<b>Total - Eko Prospect</b>	<b>43.9</b>	<b>108.4</b>	<b>265.7</b>	<b>56.1</b>	<b>156.4</b>	<b>426.1</b>	<b>11.3</b>	<b>32.1</b>	<b>90.5</b>	<b>38.2</b>	<b>112.9</b>	<b>328.0</b>	<b>2.4</b>	<b>7.4</b>	<b>22.0</b>	<b>6.7</b>	<b>19.3</b>	<b>54.5</b>	
<b>Ogo Prospect</b>																			
Turonian	0.4	2.0	8.7	3.0	11.2	42.4	0.1	0.6	2.9	2.0	8.1	32.9	0.1	0.5	2.2	0.1	0.4	1.7	
Upper Cenomanian	3.3	9.1	24.5	-	-	-	0.8	2.7	8.1	-	-	-	-	-	-	0.5	1.6	4.9	
Lower Cenomanian	1.1	5.8	15.9	-	-	-	0.3	1.7	5.3	-	-	-	-	-	-	0.2	1.0	3.2	
Lower Albian	1.0	5.9	34.7	8.3	39.5	207.5	0.3	1.8	11.5	5.6	28.4	160.4	0.4	1.8	10.7	0.2	1.1	6.9	
<b>Total - Ogo Prospect</b>	<b>5.8</b>	<b>22.9</b>	<b>83.8</b>	<b>11.4</b>	<b>50.7</b>	<b>249.9</b>	<b>1.5</b>	<b>6.8</b>	<b>27.9</b>	<b>7.6</b>	<b>36.5</b>	<b>193.3</b>	<b>0.5</b>	<b>2.4</b>	<b>12.9</b>	<b>0.9</b>	<b>4.1</b>	<b>16.8</b>	
<b>Agege Prospect</b>																			
Lower Cenomanian	149.8	281.9	539.7	-	-	-	38.7	84.4	183.2	-	-	-	-	-	-	23.2	50.3	111.0	
Synrift (Pre-Albian)	7.1	27.5	110.5	45.2	132.4	479.4	1.9	8.1	36.3	30.8	96.0	370.7	2.0	6.3	24.7	1.1	4.8	21.7	
<b>Total - Agege Prospect</b>	<b>157.0</b>	<b>309.4</b>	<b>650.2</b>	<b>45.2</b>	<b>132.4</b>	<b>479.4</b>	<b>40.6</b>	<b>92.5</b>	<b>219.5</b>	<b>30.8</b>	<b>96.0</b>	<b>370.7</b>	<b>2.0</b>	<b>6.3</b>	<b>24.7</b>	<b>24.3</b>	<b>55.2</b>	<b>132.7</b>	
<b>Ado Lead</b>																			
Turonian	10.6	29.3	62.4	83.7	153.2	273.7	2.9	8.7	20.3	56.6	110.7	210.7	3.6	7.3	14.5	1.7	5.2	12.3	
Upper Cenomanian	50.7	93.1	173.4	-	-	-	13.1	27.9	58.8	-	-	-	-	-	-	7.8	16.6	35.6	
Lower Cenomanian	17.7	37.2	77.1	-	-	-	4.6	11.1	26.2	-	-	-	-	-	-	2.7	6.6	15.8	
Lower Albian	6.1	17.3	36.4	61.3	114.1	198.9	1.7	5.1	11.9	41.7	82.2	152.5	2.7	5.3	10.5	1.0	3.1	7.2	
<b>Total - Ado Lead</b>	<b>85.1</b>	<b>176.9</b>	<b>349.2</b>	<b>144.9</b>	<b>267.2</b>	<b>472.6</b>	<b>22.2</b>	<b>52.7</b>	<b>117.2</b>	<b>98.3</b>	<b>192.9</b>	<b>363.1</b>	<b>6.2</b>	<b>12.7</b>	<b>25.0</b>	<b>13.2</b>	<b>31.5</b>	<b>70.8</b>	
<b>Shasha Lead</b>																			
Turonian	18.7	54.5	125.7	139.9	280.3	577.5	5.0	16.0	41.7	94.1	202.6	443.6	5.9	13.5	30.4	3.0	9.6	24.9	
Upper Cenomanian	66.4	130.3	254.2	-	-	-	17.1	39.2	86.3	-	-	-	-	-	-	10.2	23.4	52.4	
Lower Cenomanian	15.5	31.4	65.0	-	-	-	4.0	9.4	21.6	-	-	-	-	-	-	2.4	5.6	13.1	
Lower Albian	13.9	38.8	82.4	136.6	244.7	424.5	3.8	11.4	27.1	92.4	177.2	326.9	5.8	11.6	22.8	2.3	6.8	16.2	
<b>Total - Shasha Lead</b>	<b>114.5</b>	<b>255.0</b>	<b>527.2</b>	<b>276.5</b>	<b>525.0</b>	<b>1,001.9</b>	<b>29.9</b>	<b>76.0</b>	<b>176.7</b>	<b>186.5</b>	<b>379.9</b>	<b>770.5</b>	<b>11.7</b>	<b>25.1</b>	<b>53.2</b>	<b>17.8</b>	<b>45.5</b>	<b>106.6</b>	
<b>Total</b>	<b>406.2</b>	<b>872.7</b>	<b>1,876.1</b>	<b>534.1</b>	<b>1,131.8</b>	<b>2,629.9</b>	<b>105.5</b>	<b>260.2</b>	<b>631.8</b>	<b>361.4</b>	<b>818.2</b>	<b>2,025.7</b>	<b>22.8</b>	<b>53.9</b>	<b>137.9</b>	<b>62.9</b>	<b>155.5</b>	<b>381.5</b>	

Note: Totals are the arithmetic sum of multiple probability distributions; totals may not add because of rounding. Totals of unrisked prospective resources beyond the prospect and lead levels are not reflective of volumes that can be expected to be recovered and are shown for convenience only. Because of the geologic risk associated with each prospect and lead, meaningful totals beyond these levels can be defined only by summing risked prospective resources. Such risk is often significant.

<sup>(1)</sup> The condensate-gas ratios used for the low, best, and high estimates are 40, 60, and 100 barrels per million cubic feet, respectively.

<sup>(2)</sup> The gas-oil ratios used for the low, best, and high estimates are 500, 600, and 700 standard cubic feet per stock tank barrel, respectively.

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

TABLE III  
SUMMARY OF UNRISKED PROSPECTIVE RESOURCES TO THE 27 PERCENT POST COST RECOVERY WORKING (ECONOMIC) INTEREST AND GEOLOGIC RISK FACTOR  
OPL 310, OFF-SHORE NIGERIA  
AS OF MARCH 31, 2013

Prospect or Lead/ Reservoir	Unrisked Prospective Resources to the 27 Percent Post Cost Recovery Working (Economic) Interest																		Geologic Risk Factor (decimal)
	Oil (MMBBL)			Free Gas (BCF)			Condensate <sup>(1)</sup> (MMBBL)			Solution Gas <sup>(2)</sup> (MMBBL)			High			Low			
	Estimate	Best Estimate	High	Estimate	Best Estimate	High	Estimate	Best Estimate	High	Estimate	Best Estimate	High	Estimate	Best Estimate	High	Estimate	Best Estimate	High	
<b>Eko Prospect</b>																			
Turonian	0.1	0.7	2.9	2.1	8.7	31.9	0.1	0.6	2.1	0.1	0.1	0.1	0.4	1.1	1.7	0.4	1.1	1.7	0.27
Upper Cenomanian	1.9	4.8	12.5	-	-	-	-	-	-	-	-	-	7.5	2.9	7.5	2.9	1.1	2.9	0.27
Lower Cenomanian	0.7	1.8	4.8	-	-	-	-	-	-	-	-	-	1.1	0.4	2.9	1.1	0.4	2.9	0.27
Lower Albian	0.4	1.4	4.3	8.2	21.7	56.6	0.5	1.4	3.8	0.2	0.2	0.2	0.8	0.8	2.6	0.8	0.8	2.6	0.27
<b>Total - Eko Prospect</b>	<b>3.0</b>	<b>8.7</b>	<b>24.4</b>	<b>10.3</b>	<b>30.5</b>	<b>88.5</b>	<b>0.6</b>	<b>2.0</b>	<b>6.0</b>	<b>1.8</b>	<b>1.8</b>	<b>1.8</b>	<b>5.2</b>	<b>5.2</b>	<b>14.7</b>	<b>5.2</b>	<b>5.2</b>	<b>14.7</b>	
<b>Ogo Prospect</b>																			
Turonian	0.0	0.2	0.8	0.5	2.2	8.9	0.0	0.1	0.6	0.0	0.0	0.0	0.1	0.1	0.5	0.1	0.1	0.5	0.25
Upper Cenomanian	0.2	0.7	2.2	-	-	-	-	-	-	-	-	-	0.4	0.1	0.4	0.4	0.1	0.4	0.25
Lower Cenomanian	0.1	0.5	1.4	-	-	-	-	-	-	-	-	-	0.3	0.0	0.3	0.3	0.0	0.3	0.25
Lower Albian	0.1	0.5	3.1	1.5	7.7	43.3	0.1	0.5	2.9	0.0	0.0	0.0	0.3	0.3	1.9	0.3	0.3	1.9	0.25
<b>Total - Ogo Prospect</b>	<b>0.4</b>	<b>1.8</b>	<b>7.5</b>	<b>2.1</b>	<b>9.9</b>	<b>52.2</b>	<b>0.1</b>	<b>0.6</b>	<b>3.5</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>1.1</b>	<b>1.1</b>	<b>4.5</b>	<b>1.1</b>	<b>1.1</b>	<b>4.5</b>	
<b>Agege Prospect</b>																			
Lower Cenomanian	10.4	22.8	49.5	-	-	-	-	-	-	-	-	-	6.3	13.6	30.0	6.3	13.6	30.0	0.08
Synrift (Pre-Albian)	0.5	2.2	9.8	8.3	25.9	100.1	0.5	1.7	6.7	0.3	0.3	0.3	1.3	5.9	5.9	1.3	5.9	5.9	0.08
<b>Total - Agege Prospect</b>	<b>11.0</b>	<b>25.0</b>	<b>59.3</b>	<b>8.3</b>	<b>25.9</b>	<b>100.1</b>	<b>0.5</b>	<b>1.7</b>	<b>6.7</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>14.9</b>	<b>14.9</b>	<b>35.8</b>	<b>14.9</b>	<b>14.9</b>	<b>35.8</b>	
<b>Ado Lead</b>																			
Turonian	0.8	2.3	5.5	15.3	29.9	56.9	1.0	2.0	3.9	0.5	0.5	0.5	1.4	1.4	3.3	1.4	1.4	3.3	0.07
Upper Cenomanian	3.5	7.5	15.9	-	-	-	-	-	-	-	-	-	4.5	2.1	9.6	4.5	2.1	9.6	0.07
Lower Cenomanian	1.2	3.0	7.1	-	-	-	-	-	-	-	-	-	1.8	0.7	4.3	1.8	0.7	4.3	0.07
Lower Albian	0.5	1.4	3.2	11.3	22.2	41.2	0.7	1.4	2.8	0.3	0.3	0.3	0.8	0.8	1.9	0.8	0.8	1.9	0.07
<b>Total - Ado Lead</b>	<b>6.0</b>	<b>14.2</b>	<b>31.6</b>	<b>26.5</b>	<b>52.1</b>	<b>98.0</b>	<b>1.7</b>	<b>3.4</b>	<b>6.8</b>	<b>3.6</b>	<b>3.6</b>	<b>3.6</b>	<b>8.5</b>	<b>8.5</b>	<b>19.1</b>	<b>8.5</b>	<b>8.5</b>	<b>19.1</b>	
<b>Shasha Lead</b>																			
Turonian	1.4	4.3	11.3	25.4	54.7	119.8	1.6	3.6	8.2	0.8	0.8	0.8	2.6	2.6	6.7	2.6	2.6	6.7	0.12
Upper Cenomanian	4.6	10.6	23.3	-	-	-	-	-	-	-	-	-	6.3	3.5	14.1	6.3	3.5	14.1	0.12
Lower Cenomanian	1.1	2.5	5.8	-	-	-	-	-	-	-	-	-	1.5	0.6	3.5	1.5	0.6	3.5	0.12
Lower Albian	1.0	3.1	7.3	24.9	47.9	88.3	1.6	3.1	6.2	0.6	0.6	0.6	1.8	1.8	4.4	1.8	1.8	4.4	0.12
<b>Total - Shasha Lead</b>	<b>8.1</b>	<b>20.5</b>	<b>47.7</b>	<b>50.3</b>	<b>102.6</b>	<b>208.0</b>	<b>3.2</b>	<b>6.8</b>	<b>14.4</b>	<b>4.8</b>	<b>4.8</b>	<b>4.8</b>	<b>12.3</b>	<b>12.3</b>	<b>28.8</b>	<b>12.3</b>	<b>12.3</b>	<b>28.8</b>	
<b>Total</b>	<b>28.5</b>	<b>70.3</b>	<b>170.6</b>	<b>97.6</b>	<b>220.9</b>	<b>546.9</b>	<b>6.1</b>	<b>14.5</b>	<b>37.2</b>	<b>17.0</b>	<b>17.0</b>	<b>17.0</b>	<b>42.0</b>	<b>42.0</b>	<b>103.0</b>	<b>42.0</b>	<b>42.0</b>	<b>103.0</b>	

Note: Totals are the arithmetic sum of multiple probability distributions; totals may not add because of rounding. Totals of unrisked prospective resources beyond the prospect and lead levels are not reflective of volumes that can be expected to be recovered and are shown for convenience only. Because of the geologic risk associated with each prospect and lead, meaningful totals beyond these levels can be defined only by summing risked prospective resources. Such risk is often significant.

(1) The condensate-gas ratios used for the low, best, and high estimates are 40, 60, and 100 barrels per million cubic feet, respectively.  
(2) The gas-oil ratios used for the low, best, and high estimates are 500, 600, and 700 standard cubic feet per stock tank barrel, respectively.

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Table III

## TECHNICAL DISCUSSION

## TECHNICAL DISCUSSION OIL PROSPECTING LICENSE 310 OFFSHORE NIGERIA

### 1.0 GENERAL OVERVIEW

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Netherland, Sewell & Associates, Inc. (NSAI) has estimated the undiscovered original oil-in-place (OOIP), undiscovered original gas-in-place (OGIP), unrisks gross (100 percent) prospective resources, and unrisks net prospective resources to the Lekoil Limited (Lekoil) interest, as of March 31, 2013, for three prospects and two leads located in Oil Prospecting License (OPL) 310, offshore Nigeria (Figure 1). This evaluation was originally conducted on behalf of Afren plc (Afren) using its data set. As shown on Figures 1 and 2, OPL 310 comprises approximately 1,850 square kilometers (km<sup>2</sup>). Evaluation of OPL 310 was begun by NSAI in 2011 and was suspended pending receipt of Afren's final data sets and interpretations over OPL 310. Afren recently completed prestack depth migration (PreSDM) 3-D seismic modeling and processing and additional depth-conversion modeling that primarily impacted Eko, Ogo, and Agege Prospects. The two leads, Ado and Shasha, are mainly controlled by 2-D data, and these were not significantly impacted by the additional Afren PreSDM modeling and depth-conversion work. OPL 310 is operated by Optimum Petroleum Development Limited (Optimum), with Afren acting as technical advisor; they spudded the initial exploration well in OPL 310, the Ogo-1, on the Eko Prospect on April 23, 2013. If successful, the Ogo-1 well may be followed up by a sidetrack exploration well on the deeper Agege Prospect.

The estimates in this report have been prepared in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers (SPE). Prospective resources are those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. The prospective resources included in this report should not be construed as reserves or contingent resources; they represent exploration opportunities and quantify the development potential in the event a petroleum discovery is made. Entities for which prospective resources have been estimated in this report have been subclassified as prospects and leads. The PRMS defines a prospect as a project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target and a lead as a project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect.

The prospective resources shown in this report have been estimated using a combination of deterministic and probabilistic methods and are dependent on a petroleum discovery being made. If a discovery is made and development is undertaken, the probability that the recoverable volumes will equal or exceed the unrisks estimated amounts is 90 percent for the low estimate, 50 percent for the best estimate, and 10 percent for the high estimate. As recommended in the PRMS, the low, best, and high estimate prospective resources have been aggregated by arithmetic summation; therefore, these totals do not include the portfolio effect that might result from statistical aggregation. Our estimates of prospective resources are presented as unrisks resources volumes only; however, we have included our quantitative assessment of the geologic risk of discovery in this report.

Our assessment of OPL 310 consisted of (1) a technical kickoff meeting with Afren; (2) data analysis and review of published reports on Nigeria and analogous fields and basins located offshore Nigeria and Benin; (3) review, independent interpretation, and mapping of 3-D seismic data over the license to confirm the interpretation and mapping conducted by Afren; (4) hydrocarbon system assessment and

uncertainty/risk analysis; and (5) probabilistic resources assessment of three prospects and two leads in OPL 310.

## 2.0 LICENSE OVERVIEW

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Afren entered a production and revenue sharing agreement with Optimum in which Afren owned a 40 percent participating interest and Optimum owned a 60 percent participating interest in OPL 310. Under the terms of the agreement, Afren would bear 100 percent of the capital costs and operating expenses associated with exploration, appraisal, and development until first production, at which point Afren would then bear 100 percent of capital costs and 91 percent of operating expenses until cost recovery. During cost recovery, Afren would receive 91 percent of the net available production. This agreement with Optimum would yield Afren an effective post cost recovery working (economic) interest of 70 percent.

Lekoil will acquire a 27 percent post cost recovery working (economic) interest in OPL 310 through its subsidiary Mayfair Assets & Trust Limited, which has signed a conditional farm-out agreement with Afren that is subject to consent of the Minister of Petroleum Resources in Nigeria. Lekoil's 27 percent economic interest is its share of the 30 percent post cost recovery working (economic) interest in OPL 310 farmed out to Mayfair by Afren, reducing Afren's economic interest to 40 percent.

## 3.0 DATA SOURCES

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Afren provided the technical database for our assessment and allowed us access to its technical staff as well as its engineering and geologic data. A meeting was held with Afren in Dallas, Texas, in October 2012 to discuss the updated OPL 310 PreSDM modeling and interpretations. The primary data set was a Petrel project covering OPL 310 and comprising multiple 3-D PreSDM seismic data volumes and electric log data for four regional wells. In addition, Afren supplied several technical presentations, technical reports, well log petrophysical interpretations, volumetric and geologic risk assessments, and public-domain reports that provided background and analysis on the technical work conducted by Afren and previous OPL 310 operators. All data sources were used, as appropriate, for our assessment of the license area.

## 4.0 TECHNICAL APPROACH

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For our assessment of prospective resources for OPL 310, we reviewed the Afren-provided technical database and presentations, our public-domain Nigeria database, and publications to supplement our understanding of the regional geology, stratigraphy, and hydrocarbon play types in the region. We focused on the hydrocarbon systems of the Benin (Dahomey) Basin, offshore Nigeria (Figure 3). Key elements of the hydrocarbon system include presence, type, richness, and maturity of source rocks; timing of hydrocarbon migration and presence of migration pathways; type, presence, and quality of reservoir rocks; and type, presence, and effectiveness of hydrocarbon traps and seals.

We conducted independent interpretation and mapping for three prospects recognized by Afren (Eko, Ogo, and Agege) and relied on previous Afren-supplied interpretations over two leads (Ado and Shasha) (Figure 2). From our depth structure maps we estimated gross rock volume (GRV) using Petrel surface volumetric operations, and in one instance, we constructed a relatively simple Petrel structural model from which we estimated the GRV for a range of potential oil-water contacts down to an approximate spill point. We estimated GRV for the two leads using area of closure, an estimated gross reservoir thickness, and a geometric factor. Ranges of GRV, net-to-gross ratio (NTG), porosity, hydrocarbon saturation

( $1-S_w$ ), formation volume factor (FVF), and recovery factor (RF) were input into a spreadsheet-based Monte Carlo simulation model to probabilistically estimate prospective resources.

For each identified prospect or lead we estimated ranges of average porosity and average  $1-S_w$  based on Afren's recent petrophysical evaluation of the three nearby Aje Field wells (Aje-1, Aje-2, and Aje-4) (Figures 4 through 6). FVF and RF were estimated using a combination of local (Aje Field) and regional analog field data. We determined area using either Afren's maps or our own. Gross thickness, net thickness, and NTG were determined based on our review of Afren's petrophysical evaluation of Aje Field wells (Figure 7). In the instances where a geometric factor was applied (Agege Prospect and Ado and Shasha Leads), we estimated these through mapping and planimetry of representative gross or net pay isopach maps. Prospect and lead parameters were input into a spreadsheet-based Monte Carlo simulation to probabilistically estimate OOIP, OGIP, and unrisked prospective resources. For each prospect and lead, dependencies among variables (e.g., porosity and hydrocarbon saturation) were included where deemed appropriate.

We conducted a geologic risk assessment independent of our probabilistic prospective resources assessment using a modified version of the Otis and Schneidermann (1997) methodology. This four-component methodology allows for a numerical estimation of uncertainty for trap (vertical and lateral seal, type of trap, and trap definition), reservoir (presence, architecture, and pore system), source (capacity and maturity), and timing/migration (pathways, timing, and preservation/segregation). The probability of geologic success ( $P_g$ ) is the product of the values estimated for each of these four components. Geologic risk assessment is an inherently subjective process. To reduce this subjectivity, the risk assessment of the prospects and leads included herein were reviewed internally by other senior consultants.

Our volumetric estimates as well as our geologic risk assessments are dependent on the data available at the time of analysis. We anticipate that the incorporation of new 2-D or 3-D seismic data, once they are acquired and processed, will have a positive impact by decreasing the geologic uncertainty (risk) and elevating currently nondrillable leads to prospect subclassification.

## 5.0 GEOLOGIC SETTING

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OPL 310 is located offshore in the continental shelf and shelf-slope area of far western Nigeria in approximately 5 to 2,000 meters (m) of water (Figure 2). The license area is characterized by dominantly southern or seaward dip of a prograding sequence of Lower Cretaceous to Quaternary sediments. The basement consists of a series of rotated, generally east-to-west-trending, rift-style fault blocks with synrift sedimentary wedges infilling and unconformably overlain by the main Lower to Upper Cretaceous reservoir intervals. Sandstone reservoirs of Turonian, Cenomanian, and Albian age (Figure 3) are the main productive intervals in the analogous Aje Field in the adjacent Oil Mining Lease (OML) 113 and are the anticipated reservoirs in OPL 310.

### 5.1 TECTONIC HISTORY

The Benin (Dahomey) Basin opened along a series of highly oblique fracture systems during the Early Cretaceous (Figure 8). As rifting occurred, half-grabens (now trending east to west) were filled with lacustrine and fluvial-lacustrine sandstones, shales, and mudstones. From Albian to Cenomanian time, the basin was in this transition as the Atlantic Ocean began to open from the south and east with a gradual transition from continental to shallow marine sedimentation. The transitional phase ended near the end of the Cenomanian when sedimentation changed from shallow marine to predominantly deep marine. This drift phase continues to the present day.

## 5.2 STRATIGRAPHY

The stratigraphy of the Benin (Dahomey) Basin parallels its tectonic history, with lacustrine and fluvial-lacustrine sediments comprising sandstones, shales, and mudstones filling synrift half-grabens during the Barremian and Aptian ages (Figure 3). Unconformably overlying the synrift section are transitional sediments of Albian and Cenomanian age composed of fluvial-deltaic to marginal marine sandstones and shales. Overlying the transitional phase sediments are a thick series of marginal to deep marine sandstones, turbidite sandstones, and deepwater marine mudstones. These drift phase sediments range in age from Turonian to Recent times.

## 5.3 HYDROCARBON SYSTEMS

The Niger Delta to the southeast is a mature exploration province with well-defined petroleum systems. In the Benin (Dahomey) Basin and OPL 310, the only proven petroleum system (demonstrated by Aje Field in OML 113 and Seme Field, offshore Benin Block 1) consists of Cenomanian to Upper Albian shallow to deep marine source rocks interbedded with and allowing migration of hydrocarbons into adjacent shallow to marginal marine sandstone reservoirs with lateral migration to basement-supported structural traps.

### 5.3.1 Source Rock and Maturity

Aje Field, approximately 15 kilometers (km) west of OPL 310 (Figure 2), contains black oil, gas, and condensate, suggesting there is a wide array of Upper Cretaceous sources of varying maturity contributing hydrocarbons. Source rock maturation studies suggest that potential Upper Cretaceous source rocks do not reach thermal maturity on OPL 310 but do so just south of the block in deeper water. Therefore, long-distance migration may be critical to success in OPL 310. The source rock-trap relationship for Aje Field suggests a similar need to invoke long-distance migration through continuous carrier beds or reservoirs.

### 5.3.2 Reservoir Rock

There are numerous productive reservoirs in the Benin (Dahomey) Basin along with several potential reservoirs. At Aje Field, sandstone reservoirs of Turonian, Cenomanian, and Albian age are productive for oil, gas, and condensate in a more-or-less continuous vertical stack of sandstone and shale intervals. Reservoir quality is good, with porosity ranging from 12 to 22 percent and permeability in the range of hundreds of millidarcies, as suggested by flow testing.

Less well known is the reservoir quality of the synrift sediments (Barremian to Albian Ise Formation). These fluvial and fluvial-lacustrine sediments will be rift fill. They will likely be locally sourced and may be influenced by alluvial fans.

### 5.3.3 Hydrocarbon Traps

Aje Field is a structural trap formed by the drape of Upper and Lower Cretaceous (Turonian, Cenomanian, and Albian) reservoirs over basement highs formed by rifting and major fault block rotation. The structural closure at Aje Field is partially masked on time-domain 3-D seismic data by a complex overburden that requires careful multilayer depth-conversion and/or 3-D PreSDM modeling and processing to resolve the true depth structure. Similar trapping style is seen in OPL 310 though with a less complex overburden. However, regions of north dip are limited in OPL 310, suggesting that anticlinal

closures over basement highs will be relatively low relief at any given reservoir interval and increasing the impact of the structural wedge effect on hydrocarbon volumes.

A second potential hydrocarbon trap recognized in OPL 310 is structural-stratigraphic pinchout of synrift sediments against large basement highs. Stratigraphic traps in deepwater submarine canyon systems are certainly prevalent in West Africa and a possibility in OPL 310, though none have been identified and described in this report.

## 6.0 PREVIOUS EXPLORATION

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There are no wells within OPL 310. The nearest field is Aje, located approximately 15 km west of the western boundary of OPL 310 (Figure 2). Aje Field wells discovered oil, gas, and condensate in a series of stacked reservoirs of Turonian, Cenomanian, and Albian age. Aje Field has recently been declared commercial and is believed to contain over 280 million barrels of oil equivalent.

## 7.0 PROSPECTS AND LEADS

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We have focused our review and prospective resources assessment for OPL 310 on the three prospects and two leads identified by Afren (Figure 2). We conducted independent seismic interpretation and mapping on generally good-quality 2012 PreSDM time-domain 3-D seismic data and confirmed all three prospects identified by Afren. We supplemented this work by incorporating results of our 2011 evaluation of OPL 310 on older-vintage PreSDM 3-D seismic data, as appropriate, into our probabilistic analysis. We did not independently evaluate the leads but did review the interpretation and mapping provided by Afren. The technical data set available to us consisted of over 1,200 km<sup>2</sup> of generally good-quality PreSDM 3-D seismic data in multiple time- and depth-domain volumes, along with 12 generally poor- to fair-quality 2-D seismic lines (Figure 2). In addition, Afren provided two Petrel-based depth-conversion models that it believes make important refinements to the 2012 PreSDM 3-D velocity model (V0Kv4 model and V0Kv6 model). We reviewed all Afren-supplied velocity models and concluded that the V0Kv6 model was the most robust and representative of the potential traps for Eko, Ogo, and Agege Prospects. As mentioned earlier, Afren also provided the digital results of its 2012 petrophysical evaluation of the Aje-1, Aje-2, and Aje-4 wells (Figures 4 through 7). In this report, we discuss Eko and Agege Prospects in detail and summarize the remaining prospect and two leads because they are analogous to Eko Prospect. Eko and Ogo Prospects are closely related along the same structural ridge, as shown on Figure 9. In certain high cases, Eko and Ogo Prospects merge into a potential single accumulation.

The estimates of undiscovered in-place volumes and unrisks gross (100 percent) prospective resources in this report are based on the available data and volumetric assessments for three prospects and two leads. We considered ranges of GRV, porosity, 1-S<sub>w</sub>, oil column percentage, FVF, and RF in estimating OOIP, OGIP, and prospective oil, gas (including free and solution gas), and condensate resources. Data from Aje Field suggest that oil columns are approximately 10 percent of the gross column height; therefore, we have added an oil column percentage range in our probabilistic spreadsheet (10 to 50 percent for Turonian, Albian, and Synrift reservoirs and 100 percent for Cenomanian reservoirs). This allows for oil columns that are similar to Aje Field in the low estimates but that are potentially thicker in the best and high estimates to reflect the expected better oil source maturity in the OPL 310 hydrocarbon "fetch" area.

## 7.1 EKO PROSPECT

### 7.1.1 Basic Data

License, location:	OPL 310, Benin (Dahomey) Basin
Exploration methods:	Good-quality PreSDM 3-D seismic data (acquired in 1997; reprocessed in 2012)
Water depth:	75 to 150 m
Potential reservoirs:	Turonian, Upper and Lower Cenomanian, and Lower Albian sandstones
Reservoir depth:	2,100 to 2,900 m drill depth
Area of closure:	2.4 to 25.2 km <sup>2</sup>
Trap style:	Four-way closure, apparently unfaulted drape on basement high
Source:	Cenomanian and Turonian shales
Main uncertainties:	Trap size and relative thickness of oil column
License terms:	Provide evidence within 10 years (from June 8, 2008) of activity leading toward conversion to an OML, including (1) purchase and evaluation of all existing 3-D seismic data, (2) acquisition and evaluation of new 3-D seismic data over the remainder of the license (approximately 1,000 km <sup>2</sup> ), and (3) drilling of one exploration well

### 7.1.2 Summary

Eko Prospect is in an elongate, west-to-east-trending, apparently unfaulted four-way anticline draped above a large basement horst block (Figures 9 and 10). The trap is delineated by good-quality PreSDM 3-D seismic data, though prospectivity does not appear to be supported by direct hydrocarbon indicators or amplitude anomalies. We independently interpreted Eko Prospect on five horizons (Turonian, Lower Cenomanian, Lower Albian, Synrift, and Basement) and supplemented our interpretation with Afren's interpretation of the Upper Cenomanian, as shown on Figures 11 through 13. Figure 11 is the "time-stretched" volume of the 2012 PreSDM 3-D seismic survey indicating that there is relatively little north closure-forming dip (left on figure) on Eko Prospect in the time domain. Figure 12 is this same line (Crossline 6000) in the depth domain (depth-converted V0Kv6 model) indicating significantly more north closure-forming dip defining the prospect. Figure 13 is a seismic line (Inline 1250) along the length of Eko Prospect indicating the elongate nature of the potential trap and its relationship with Ogo Prospect to the west.

Reservoir analogies are drawn from Aje Field approximately 30 km west-southwest in OML 113. Like Eko Prospect, Aje Field is also a series of relatively simple four-way anticlines draping basement highs, and complete 3-D seismic data coverage between the field and the prospect allows confident correlation of the reservoir intervals eastward. The initial exploration well in OPL 310, the Ogo-1, on the Eko Prospect was spudded on April 23, 2013.

### 7.1.3 Parameters

Volumetric parameters for Eko Prospect are shown on Figure 14 and in the following table:

Reservoir	Type	GRV (10 <sup>3</sup> m <sup>3</sup> )		NTG (decimal)		
		P95	P5	Min	ML	Max
Turonian	Oil/Gas	23,145	566,418	0.51	0.60	0.64
Upper Cenomanian	Oil	91,896	701,072	0.57	0.62	0.66
Lower Cenomanian	Oil	78,276	645,241	0.28	0.37	0.42
Lower Albian	Oil/Gas	122,303	1,044,180	0.45	0.55	0.65

Reservoir parameters for Eko Prospect are shown on Figure 14 and in the following table:

Reservoir	Porosity (decimal)		S <sub>o</sub> (decimal)		S <sub>g</sub> (decimal)		B <sub>o</sub> (RB/STB)		B <sub>g</sub> (SCF/RCF)		Oil Column (decimal)		RF (decimal)					
	P90	P10	P90	P10	P90	P10	P90	P10	P90	P10	P90	P10	Oil			Gas		
													Min	ML	Max	Min	ML	Max
Turonian	0.16	0.18	0.52	0.60	0.68	0.72	1.41	1.49	210	230	0.10	0.50	0.20	0.30	0.40	0.60	0.73	0.85
Upper Cenomanian	0.15	0.18	0.50	0.58	-	-	1.41	1.49	-	-	1.00	1.00	0.20	0.30	0.40	-	-	-
Lower Cenomanian	0.14	0.15	0.43	0.49	-	-	1.41	1.49	-	-	1.00	1.00	0.20	0.30	0.40	-	-	-
Lower Albian	0.14	0.17	0.43	0.49	0.68	0.72	1.41	1.49	210	230	0.10	0.50	0.20	0.30	0.40	0.60	0.73	0.85

#### 7.1.4 Estimates of Undiscovered In-Place Volumes and Unrisked Prospective Resources

Probabilistic estimates of undiscovered OOIP, unrisked gross (100 percent) prospective oil and solution gas resources, and unrisked net prospective oil and solution gas resources to the Lekoil interest, in millions of barrels (MMBBL) and billions of cubic feet (BCF), for Eko Prospect are shown on Figures 15 and 16 and in the following tables:

Reservoir	Undiscovered OOIP (MMBBL)			Unrisked Gross (100 Percent) Prospective Resources					
	Low Estimate	Best Estimate	High Estimate	Oil (MMBBL)			Solution Gas <sup>(1)</sup> (BCF)		
				Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
Turonian	1.7	8.3	32.1	0.4	2.5	10.8	0.3	1.5	6.4
Upper Cenomanian	27.2	59.9	134.0	6.9	17.8	46.1	4.1	10.7	27.8
Lower Cenomanian	9.9	23.0	52.0	2.5	6.8	17.6	1.5	4.1	10.7
Lower Albian	5.1	17.2	47.6	1.4	5.1	16.0	0.8	3.0	9.6
Total	43.9	108.4	265.7	11.3	32.1	90.5	6.7	19.3	54.5

Reservoir	Unrisked Prospective Resources to the 27 Percent Post Cost Recovery Working (Economic) Interest					
	Oil (MMBBL)			Solution Gas <sup>(1)</sup> (BCF)		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
Turonian	0.1	0.7	2.9	0.1	0.4	1.7
Upper Cenomanian	1.9	4.8	12.5	1.1	2.9	7.5
Lower Cenomanian	0.7	1.8	4.8	0.4	1.1	2.9
Lower Albian	0.4	1.4	4.3	0.2	0.8	2.6
Total	3.0	8.7	24.4	1.8	5.2	14.7

Note: Totals are the arithmetic sum of multiple probability distributions; totals may not add because of rounding.

<sup>(1)</sup> The gas-oil ratios (GORs) used for the low, best, and high estimates are 500, 600, and 700 standard cubic feet per stock tank barrel (SCF/STB), respectively.

Probabilistic estimates of undiscovered OGIP, unrisked gross (100 percent) prospective free gas and condensate resources, and unrisked net prospective free gas and condensate resources to the Lekoil interest for Eko Prospect are shown on Figures 15 and 16 and in the following tables:

Reservoir	Undiscovered OGIP (BCF)			Unrisked Gross (100 Percent) Prospective Resources					
	Low Estimate	Best Estimate	High Estimate	Free Gas (BCF)			Condensate <sup>(1)</sup> (MMBBL)		
				Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
Turonian	11.7	44.7	152.0	7.9	32.4	118.3	0.5	2.1	7.9
Lower Albian	44.4	111.8	274.1	30.3	80.5	209.7	1.9	5.3	14.2
Total	56.1	156.4	426.1	38.2	112.9	328.0	2.4	7.4	22.0

Reservoir	Unrisked Prospective Resources to the 27 Percent Post Cost Recovery Working (Economic) Interest					
	Free Gas (BCF)			Condensate <sup>(1)</sup> (MMBBL)		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
Turonian	2.1	8.7	31.9	0.1	0.6	2.1
Lower Albian	8.2	21.7	56.6	0.5	1.4	3.8
Total	10.3	30.5	88.5	0.6	2.0	6.0

Note: Totals are the arithmetic sum of multiple probability distributions; totals may not add because of rounding.

<sup>(1)</sup> The condensate-gas ratios (CGRs) used for the low, best, and high estimates are 40, 60, and 100 barrels per million cubic feet (BBL/MMCF), respectively.

### 7.1.5 Uncertainty/Risk Analysis

Our estimate of the  $P_g$  for Eko Prospect is 0.27. The main uncertainties are trap size and percentage of oil and gas in the hydrocarbon column. We have used a risking methodology based on the techniques of Otis and Schneidermann (1997). By their definition, this prospect would be categorized as low risk. Further detail regarding the risk assessment of Eko Prospect is shown in the table on Figure 17.

## 7.2 AGEGE PROSPECT

### 7.2.1 Basic Data

License, location: OPL 310, Benin (Dahomey) Basin  
 Exploration methods: Good-quality PreSDM 3-D seismic data (acquired in 1997; reprocessed in 2012)  
 Water depth: 150 to 800 m  
 Potential reservoirs: Pre-Albian to Albian synrift fluvial and lacustrine deltaic sandstones; Lower Cenomanian sandstones  
 Reservoir depth: 2,300 to 3,100 m drill depth  
 Area of closure: 5.6 to 60.7 km<sup>2</sup>  
 Trap style: Structural-stratigraphic pinchout against basement with very limited four-way dip closure (Synrift); structural-stratigraphic pinchout over a structural high (Lower Cenomanian)  
 Source: Downdip Cenomanian and Turonian shales  
 Main uncertainties: Trap integrity (Synrift and Lower Cenomanian) and size, reservoir quality (Synrift), and migration pathways from source rocks younger than the potential reservoir rocks

License terms: Provide evidence within 10 years (from June 8, 2008) of activity leading toward conversion to an OML, including (1) purchase and evaluation of all existing 3-D seismic data, (2) acquisition and evaluation of new 3-D seismic data over the remainder of the license (approximately 1,000 km<sup>2</sup>), and (3) drilling of one exploration well

### 7.2.2 Summary

Agege Prospect comprises two potential structural-stratigraphic traps: a pinchout of synrift sandstones along the southern boundary of a large basement horst block (Figure 18) and a pinchout of Lower Cenomanian sandstones across the Eko Prospect structural high (Figure 19). The potential traps are delineated by good-quality 2012 PreSDM 3-D seismic data, and Lower Cenomanian sandstone presence and/or quality appear to be supported by amplitude anomalies (Figure 19). We independently interpreted the Lower Cenomanian, Synrift, and Basement horizons for Agege Prospect (Figure 20). If the potential Lower Cenomanian reservoir is successfully explored at Agege Prospect, then this potential reservoir will likely not be present in the updip Eko Prospect because it has shaled out. Similarly, if this reservoir is successfully explored at Eko Prospect, then it will likely either be wet or not be present downdip in Agege Prospect. Afren has indicated its intent to drill both Eko and Agege Prospects simultaneously in early 2013 with combined vertical (Eko) and deviated (Agege) wellbores drilled from the same surface location.

There are no nearby Synrift reservoir analogies since Aje Field did not appear to reach this interval. For this prospective resources assessment of the Synrift, we assume reservoir qualities are slightly poorer than the Aje Field Lower Albian reservoir, the deepest reservoir in that field. For the Lower Cenomanian reservoir, we assume reservoir quality is similar to Lower Cenomanian reservoirs encountered in Aje Field. The initial exploration well in OPL 310, the Ogo-1, on the Eko Prospect was spudded on April 23, 2013. If successful, Agege Prospect will then be drilled as a sidetrack deviated well from the Ogo-1 location.

### 7.2.3 Parameters

Volumetric parameters for Agege Prospect are shown on Figure 14 and in the following table:

Reservoir	Type	GRV (10 <sup>3</sup> m <sup>3</sup> )		NTG (decimal)		
		P95	P5	Min	ML	Max
Lower Cenomanian	Oil	1,207,500	6,222,500	0.28	0.37	0.42
Synrift (Pre-Albian)	Oil/Gas	273,870	3,699,795	0.20	0.40	0.80

Reservoir parameters for Agege Prospect are shown on Figure 14 and in the following table:

Reservoir	Porosity (decimal)		S <sub>o</sub> (decimal)		S <sub>g</sub> (decimal)		B <sub>o</sub> (RB/STB)		B <sub>g</sub> (SCF/RCF)		Oil Column (decimal)		RF (decimal)					
	P90	P10	P90	P10	P90	P10	P90	P10	P90	P10	P90	P10	Oil			Gas		
													Min	ML	Max	Min	ML	Max
Lower Cenomanian	0.14	0.15	0.43	0.49	-	-	1.41	1.49	-	-	1.00	1.00	0.20	0.30	0.40	-	-	-
Synrift (Pre-Albian)	0.10	0.15	0.40	0.60	0.45	0.65	1.41	1.49	210	230	0.10	0.50	0.20	0.30	0.40	0.60	0.73	0.85

7.2.4 Estimates of Undiscovered In-Place Volumes and Unrisked Prospective Resources

Probabilistic estimates of undiscovered OOIP, unrisked gross (100 percent) prospective oil and solution gas resources, and unrisked net prospective oil and solution gas resources to the Lekoil interest for Agege Prospect are shown on Figures 15 and 16 and in the following tables:

Reservoir	Undiscovered OOIP (MMBBL)			Unrisked Gross (100 Percent) Prospective Resources					
	Low Estimate	Best Estimate	High Estimate	Oil (MMBBL)			Solution Gas <sup>(1)</sup> (BCF)		
				Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
Lower Cenomanian	149.8	281.9	539.7	38.7	84.4	183.2	23.2	50.3	111.0
Synrift (Pre-Albian)	7.1	27.5	110.5	1.9	8.1	36.3	1.1	4.8	21.7
Total	157.0	309.4	650.2	40.6	92.5	219.5	24.3	55.2	132.7

Reservoir	Unrisked Prospective Resources to the 27 Percent Post Cost Recovery Working (Economic) Interest					
	Oil (MMBBL)			Solution Gas <sup>(1)</sup> (BCF)		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
Lower Cenomanian	10.4	22.8	49.5	6.3	13.6	30.0
Synrift (Pre-Albian)	0.5	2.2	9.8	0.3	1.3	5.9
Total	11.0	25.0	59.3	6.6	14.9	35.8

Note: Totals are the arithmetic sum of multiple probability distributions; totals may not add because of rounding.

<sup>(1)</sup> The GORs used for the low, best, and high estimates are 500, 600, and 700 SCF/STB, respectively.

Probabilistic estimates of undiscovered OGIP, unrisked gross (100 percent) prospective free gas and condensate resources, and unrisked net prospective free gas and condensate resources to the Lekoil interest for Agege Prospect are shown on Figures 15 and 16 and in the following tables:

Reservoir	Undiscovered OGIP (BCF)			Unrisked Gross (100 Percent) Prospective Resources					
	Low Estimate	Best Estimate	High Estimate	Free Gas (BCF)			Condensate <sup>(1)</sup> (MMBBL)		
				Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
Synrift (Pre-Albian)	45.2	132.4	479.4	30.8	96.0	370.7	2.0	6.3	24.7

Reservoir	Unrisked Prospective Resources to the 27 Percent Post Cost Recovery Working (Economic) Interest					
	Free Gas (BCF)			Condensate <sup>(1)</sup> (MMBBL)		
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate
Synrift (Pre-Albian)	8.3	25.9	100.1	0.5	1.7	6.7

Note: Totals are the arithmetic sum of multiple probability distributions; totals may not add because of rounding.

<sup>(1)</sup> The CGRs used for the low, best, and high estimates are 40, 60, and 100 BBL/MMCF, respectively.

### 7.2.5 Uncertainty/Risk Analysis

Our estimate of  $P_g$  for Agege Prospect is 0.08. The main uncertainties are trap integrity (lateral seals against basement), trap size, reservoir quality, migration pathways, and percentage of oil and gas in the hydrocarbon column. We have used a risking methodology based on the techniques of Otis and Schneidermann (1997). By their definition, this prospect would be categorized as high risk. Further detail regarding the risk assessment of Agege Prospect is shown in the table on Figure 17.

## 7.3 OGO PROSPECT, ADO LEAD, AND SHASHA LEAD

### 7.3.1 Summary

Ogo Prospect and Ado and Shasha Leads in OPL 310 (Figure 2) follow the same general play concepts as Eko Prospect, and they are identified fully on the good-quality 2012 PreSDM 3-D seismic data (Ogo Prospect) or on a combination of 2012 PreSDM 3-D seismic data and the poor- to fair-quality 2-D seismic data (Ado and Shasha Leads). Ado and Shasha are categorized as leads because of the inability to fully resolve closure on the 2-D seismic data (Ado Lead) or because of the relatively poor quality of the 2-D seismic data (Shasha Lead).

### 7.3.2 Parameters

Volumetric and reservoir parameters for Ogo Prospect and Ado and Shasha Leads are shown on Figure 14.

### 7.3.3 Estimates of Undiscovered In-Place Volumes and Unrisked Prospective Resources

Probabilistic estimates of undiscovered OOIP; undiscovered OGIP; unrisked gross (100 percent) prospective oil, free gas, condensate, and solution gas resources; and unrisked net prospective oil, free gas, condensate, and solution gas resources to the Lekoil interest for Ogo Prospect and Ado and Shasha Leads are shown on Figures 15 and 16.

### 7.3.4 Uncertainty/Risk Analysis

Our estimates of  $P_g$  for Ogo Prospect, Ado Lead, and Shasha Lead are 0.25, 0.07, and 0.12, respectively. We have used a risking methodology based on the techniques of Otis and Schneidermann (1997). By their definition, Ogo Prospect would be categorized as low risk and Ado and Shasha Leads would be categorized as high risk. Further detail regarding the risk assessment of Ogo Prospect and Ado and Shasha Leads is shown in the table on Figure 17.

## 8.0 CONCLUSIONS

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We have estimated the undiscovered OOIP, undiscovered OGIP, unrisked gross (100 percent) prospective oil, free gas, condensate, and solution gas resources; and unrisked net prospective oil, free gas, condensate, and solution gas resources to the Lekoil interest, as of March 31, 2013, for three prospects and two leads in OPL 310, offshore Nigeria. The estimates in this report have been prepared in accordance with the definitions and guidelines set forth in the 2007 PRMS approved by the SPE. Prospective resources are those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects.

The prospective resources included in this report should not be construed as reserves or contingent resources; they represent exploration opportunities and quantify the development potential in the event a petroleum discovery is made.

## TECHNICAL DISCUSSION BLOCKS 2514 A & B OFFSHORE NAMIBIA

### 9.0 GENERAL OVERVIEW

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NSAI has conducted a brief technical overview of play concepts for Blocks 2514 A & B, offshore Namibia, on behalf of Lekoil. As shown on Figure 21, Blocks 2514 A & B comprise approximately 11,159 km<sup>2</sup> and are located in relatively shallow water depth ranging out from the Namibian coastline (0 m) to approximately 400 m. Lekoil is in the very early stages of data and information gathering so it could not yet provide a comprehensive evaluation of Blocks 2514 A & B. While there are no defined and quantified leads or prospects in these blocks, Lekoil has outlined some exploration play concepts based on a regional review of the Luderitz Basin.

NSAI has not identified or quantified any leads or prospects in Blocks 2514 A & B. Seismic data coverage over Blocks 2514 A & B consists of the eastern ends of 11 dip-oriented 2-D seismic lines and 2 strike-oriented 2-D seismic lines (Figure 22). Based on the existing 2-D seismic data over the blocks and available regional well data and reports, we believe it will be possible for Lekoil to identify leads (not drillable opportunities) and further define play types.

Despite an exploration history of offshore Namibia dating back to the first exploration well in 1974, the four offshore sedimentary basins (from north to south Namibe, Walvis, Luderitz, and Orange Basins, Figure 21) can still be considered significantly underexplored. With the exception of three recent (2008 through 2012) exploration wells that were drilled on modern 3-D seismic data, the previous eight exploration wells were drilled on various vintages, qualities, and acquisition grid densities of 2-D seismic data that would not be considered adequate to define the structural-stratigraphic and stratigraphic plays that are currently being pursued offshore Namibia and around the Atlantic margin.

Lekoil's Blocks 2514 A & B are approximately 300 km north of the Kudu gas field in the Orange Basin (Figure 21), which was discovered in 1974 and is still the only commercial discovery of hydrocarbons offshore Namibia. Kudu Field is believed to contain up to 1.45 trillion cubic feet of gas resources.

### 10.0 LICENSE OVERVIEW

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Lekoil, through its subsidiary Lekoil Exploration and Production (Pty) Ltd., acquired a 69.75 percent participating interest (69.75 percent economic interest) in Blocks 2514 A & B in the Luderitz Basin on July 27, 2012. Current participating interest owners in Blocks 2514 A & B are Lekoil Exploration and Production (Pty) Ltd. (operator), Hallie Investments Number Three Thousand and Forty One (Pty) Limited, and the National Petroleum Corporation of Namibia (Pty) Limited (NAMCOR).

The exploration license period for Blocks 2514 A & B is initially four years with options for two two-year renewal periods pending regulatory approval. The minimum work program in the initial exploration period will require a minimum expenditure of US\$2 million and shall consist of (1) undertaking all necessary desktop studies, including geological, geochemical, and geophysical work in the blocks; (2) purchasing data and reports on the geology of the region and Luderitz Basin; (3) studying and reviewing existing reports (geological, geophysical, and drilling data and reports); and (4) processing and interpreting existing seismic data and acquiring and processing at least 1,000 km of 2-D seismic data over the blocks.

If approved, the first two-year renewal period will require a minimum expenditure of US\$20 million and will consist of (1) acquisition, processing, and interpretation of new 3-D seismic data over Blocks 2514 A & B covering at least 500 km<sup>2</sup> and (2) drilling of one exploration well, if necessary, to a depth necessary to reach the base of the Lower Cretaceous. If approved, the second two-year renewal period will require a minimum expenditure of US\$50 million and will consist of (1) review of exploration well results; (2) acquisition, processing, and interpretation of an additional 3-D seismic survey covering at least 200 km<sup>2</sup>; and (3) drilling of an exploration/appraisal well if necessary.

## 11.0 DATA SOURCES

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Technical data and information for Blocks 2514 A & B supplied by Lekoil were extremely limited and comprised only a few maps, presentations, and brief reports. Lekoil is still in the very early stages of acquiring technical data and information from the Namibia Ministry of Mines and Energy. For this overview of Lekoil's Blocks 2514 A & B, we have relied primarily on information available in the public domain, including published technical reports, recent investor presentations from offsetting operators, and information available through NAMCOR and Namibia Ministry of Mines and Energy websites.

## 12.0 GEOLOGIC SETTING

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The Lekoil blocks are located offshore (and slightly onshore) Namibia in the eastern flank of the Luderitz Basin (Figure 21). Offshore basins in Namibia are composed of a thick wedge of clastic passive margin sediments deposited during the opening of the Atlantic Ocean during the Early Cretaceous. Growth-faulted delta systems became dominant during the Middle to Late Cretaceous as sediments entered the basin via the Orange River and possibly via the Kunene River farther to the north. In the Middle to Late Cretaceous drift phase in the Luderitz Basin, initial marine claystone deposition was later replaced by transgressive-regressive cycles of coarse-grained clastics. From the Early Tertiary onward, clastic sedimentation rates have generally decreased as the Namibian onshore became increasingly arid. A relatively strong pulse of shelf progradation resulted from Oligo-Miocene uplift onshore Namibia coupled with periods of greater rainfall.

### 12.1 SOURCE ROCK AND MATURITY

There is evidence offshore Namibia for the presence and thermal maturity of two or more source rocks, including organic-rich zones encountered in exploration wells and Deep Sea Drilling Project (DSDP) drill sites, along with potential gas chimney and gas hydrate zones recognized on seismic data.

The 1911/10-1, 1911/15-1, and 2012/13-1 wells in the Walvis Basin and DSDP Site 530 in the Namibe Basin encountered organic-rich marine shales with Type II kerogen in the Cenomanian-Turonian interval, while Late Barremian- to Early Aptian-aged organic-rich marine shale with Type II kerogen has been encountered in the Kudu 9A-2 (Orange Basin) and in DSDP Site 364 offshore South Africa. Independent reports suggest that Kudu Field condensate was derived from a mature Early Cretaceous or even a Paleozoic source rock, while black oil found in the field appeared to be derived from Cenomanian-Turonian marine source rocks.

Residual oil shows were indicated in the Aptian to Albian age carbonate rocks in the Walvis Basin wells 1911/10-1 and 1911/15-1, and the recent 1711/15-1 drilled in the southern Namibe Basin in 2008 apparently encountered numerous gas zones in tight, noncommercial reservoir rock. Most recently, Enigma Oil and Gas Exploration (PTY) LTD, a wholly owned subsidiary of Chariot Oil and Gas Limited (Chariot), drilled the Kabeljou 2714/6-1 well and encountered source rocks and hydrocarbon shows.

## 12.2 RESERVOIR ROCK

Several Late Cretaceous potential reservoirs were encountered in the 1911/15-1, 1911/10-1, and 2012/13-1 wells in the Walvis Basin and in the 2313/5-1 and 2513/8-1 (nearest exploration well to Lekoil's Blocks 2514 A & B) wells in the Luderitz Basin. Older, possibly Albian age reservoirs were also encountered in the 2513/8-1 well and in Kudu Field in the Orange Basin. Recently, Chariot drilled the Tapir South 1811/5-1 well in the Namibe Basin and encountered thick Lower Cretaceous clastic and carbonate reservoir intervals with 24 and 18 percent porosity, respectively.

## 13.0 PLAY CONCEPTS

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With the position of Blocks 2514 A & B on the updip, eastern flank of the Luderitz Basin (Figure 21), Lekoil believes that play types in these blocks will involve onlap and pinchout of depositional sequences onto basement highs in primarily stratigraphic or structural-stratigraphic traps. Reservoirs will be more proximal equivalents of the deepwater marine clastics and marine deltaic reservoir facies observed in wells generally basinward of Blocks 2514 A & B. Vertical and lateral seals could be provided by marine shales and relatively impermeable basement sediments and crystalline rocks.

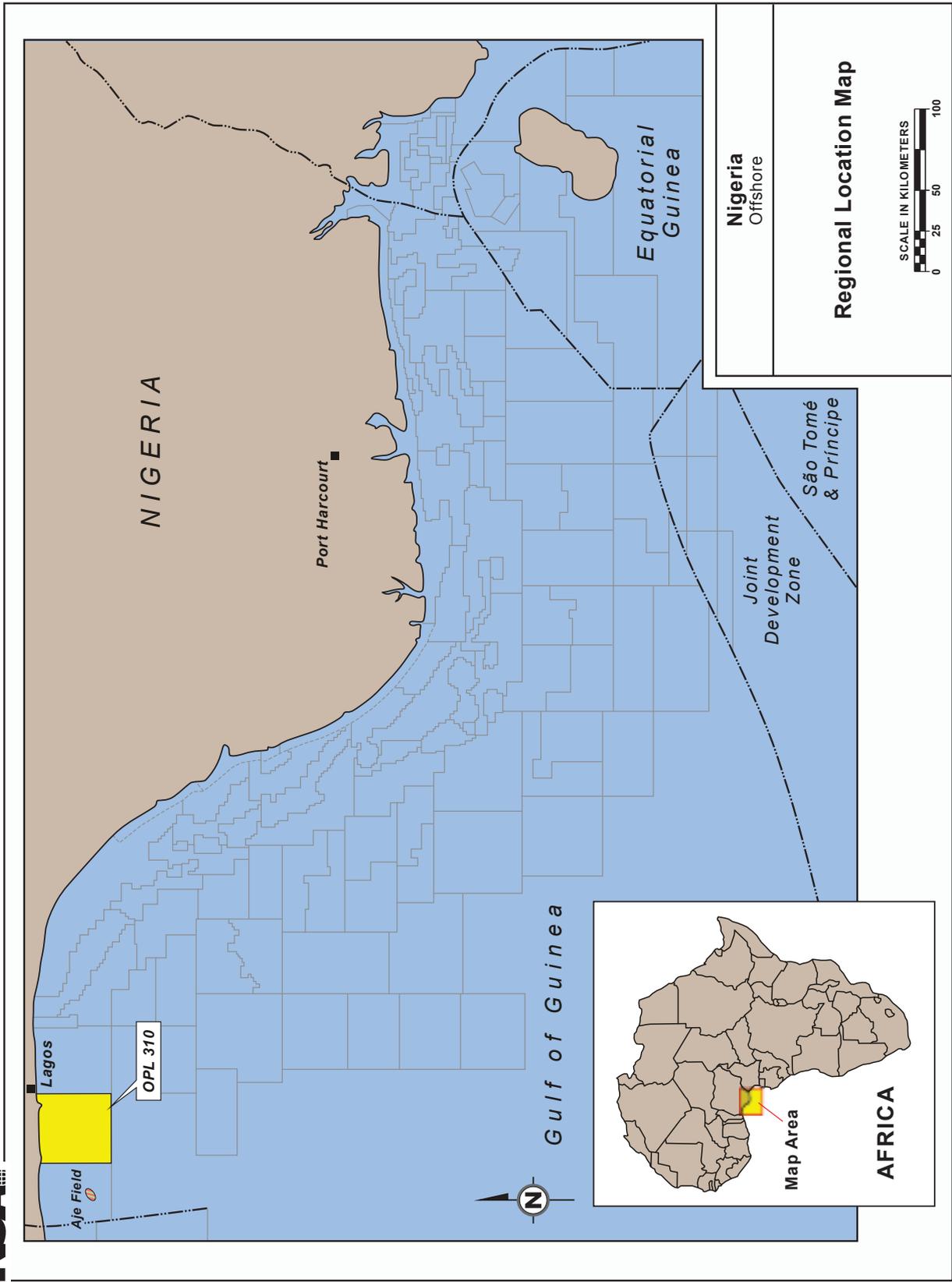
We are broadly in agreement with these play concepts and concur with Lekoil in its assessment that the main geologic risks in Blocks 2514 A & B will be timing of source rock maturity and expulsion and presence and effectiveness of vertical and lateral seals. We would add an additional geologic risk of reservoir presence since we believe that depositional fairways may become narrower and more focused moving updip and out of the Luderitz Basin toward the Namibian coast.

## 14.0 WORK PROGRAM

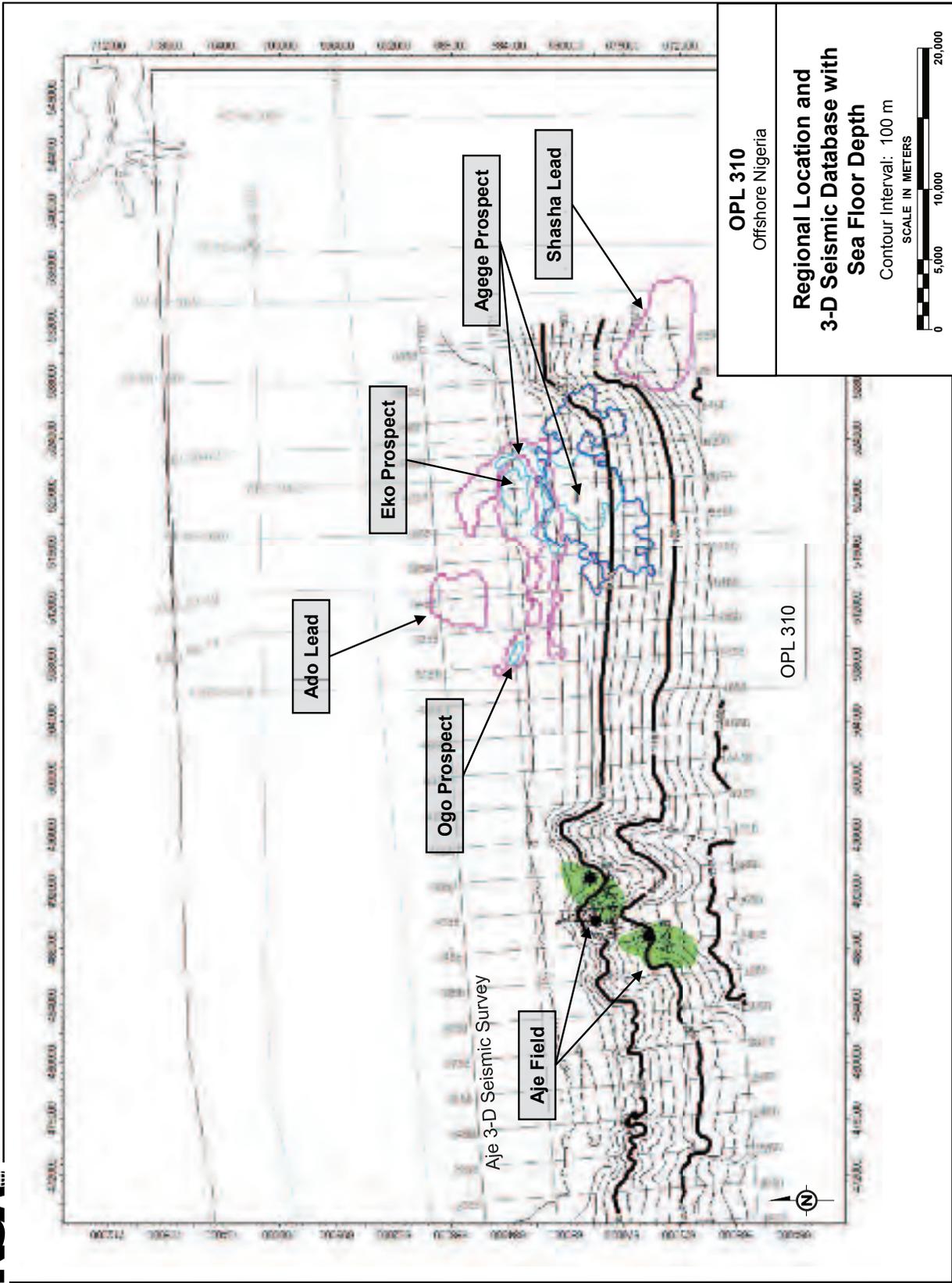
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Lekoil has presented a work program for 2013 designed to utilize all available well log data, 2-D seismic data, and regional reports in an effort to focus future data acquisition efforts and expenditures in 2014 and beyond. This work program will include seismic data reprocessing of all 2-D seismic lines within Blocks 2514 A & B and certain key regional 2-D seismic lines extending westward from the Lekoil blocks and seismic lines tying the nearest well control (e.g., the 2513/8-1 well).

## FIGURES

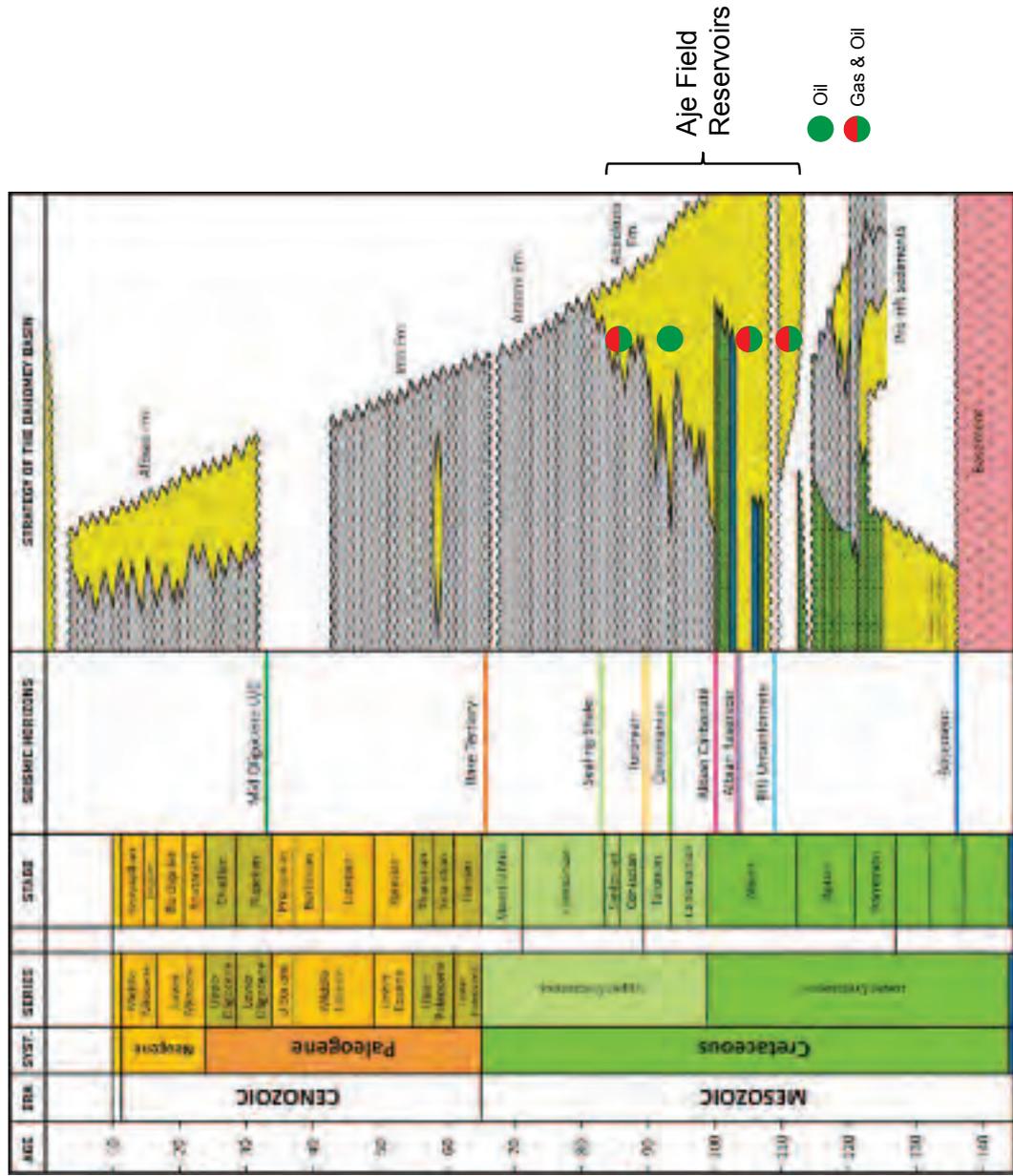


All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.



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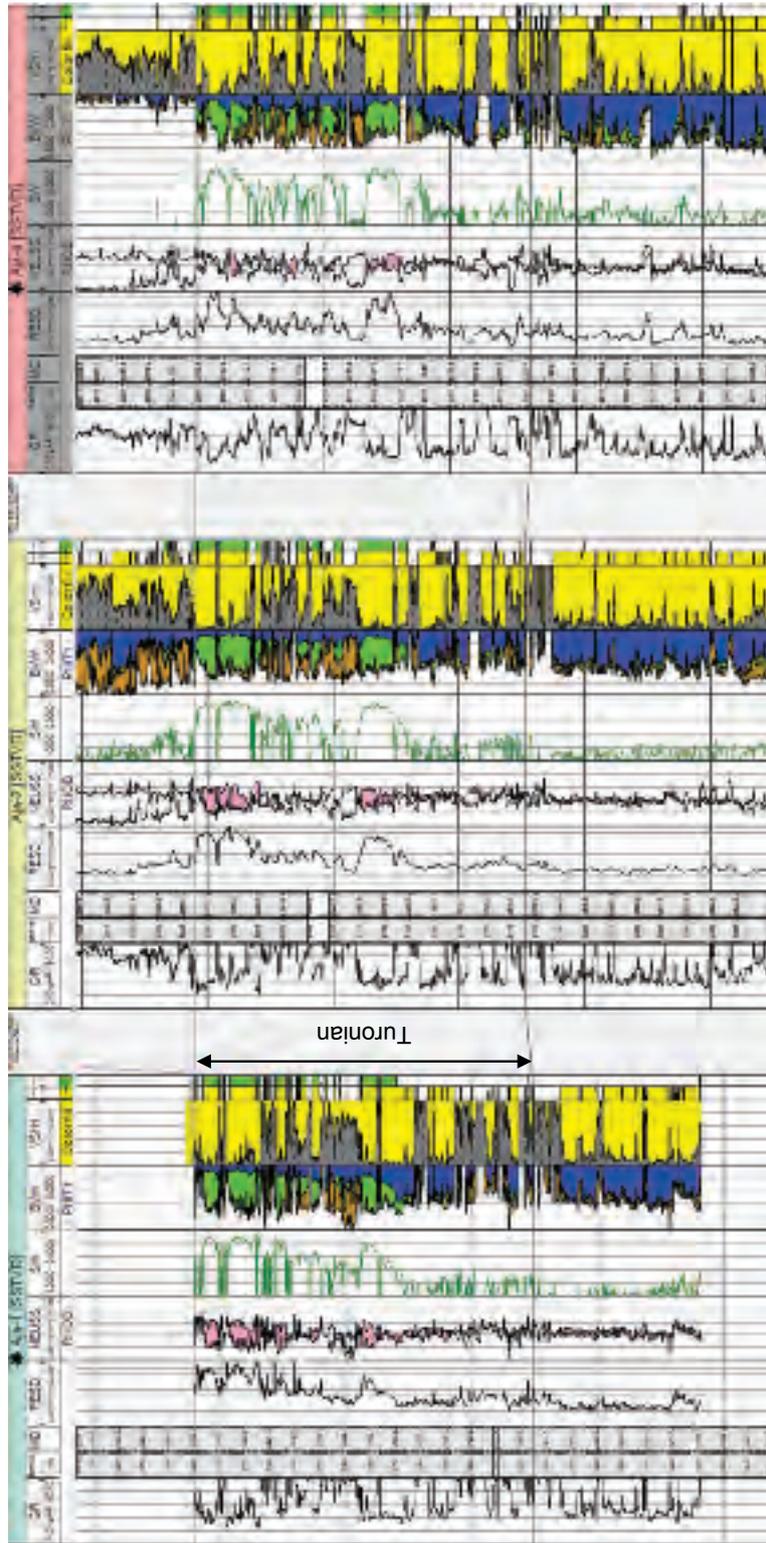
Stratigraphic Column  
Benin (Dahomey) Basin, Onshore and Offshore Nigeria



Adapted from a figure provided by Afren plc.

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

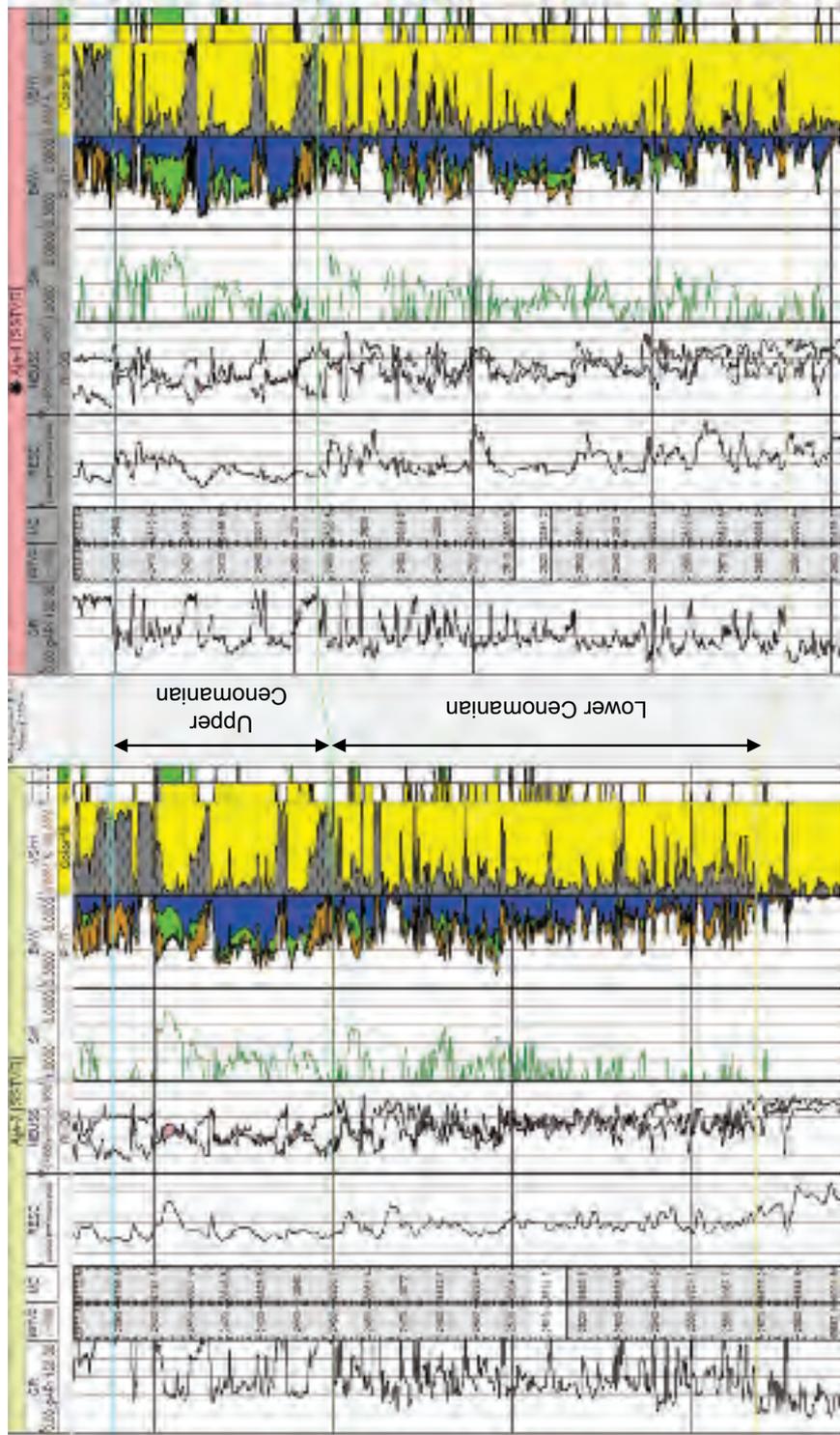
Aje Field Stratigraphic Cross Section – Turonian Interval  
Benin (Dahomey) Basin, Offshore Nigeria



All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 4

Aje Field Stratigraphic Cross Section – Upper and Lower Cenomanian Intervals  
Benin (Dahomey) Basin, Offshore Nigeria



All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 5



AFREN PETROPHYSICAL EVALUATION RESULTS – AJE FIELD WELLS  
OPL 310, OFFSHORE NIGERIA  
AS OF MARCH 31, 2013

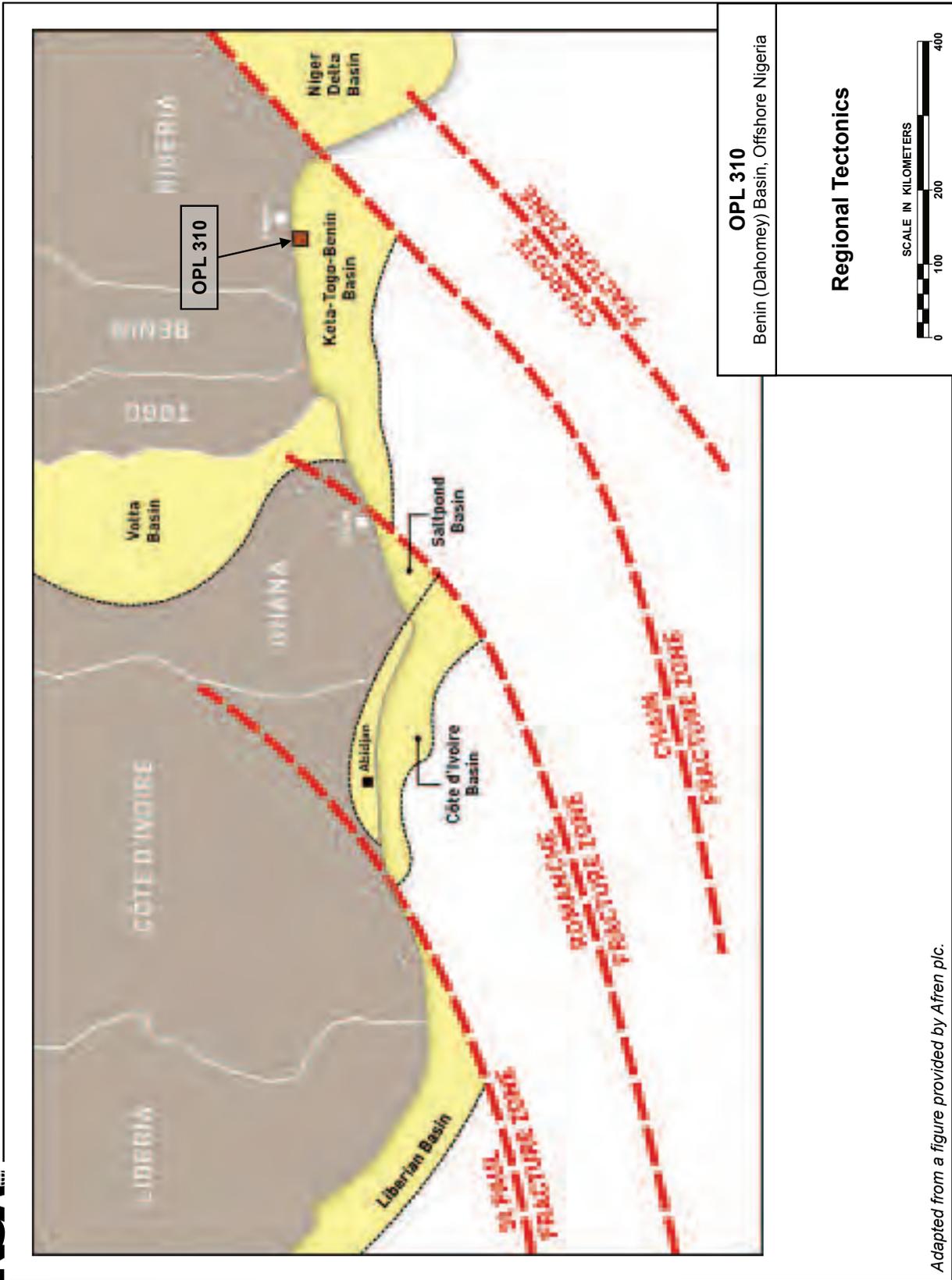
Well	Reservoir	Subsea Depth (m)		Reservoir Thickness (m)		NTG <sup>(1)</sup> (decimal)	Porosity (decimal)	Water Saturation <sup>(2)</sup> (decimal)	Clay Volume (decimal)
		Top	Base	Gross	Net				
Aje-1	Turonian	2,090.2	2,224.1	133.9	69.1	0.52	0.17	0.29	0.12
Aje-2	Turonian	2,045.0	2,176.0	131.0	83.5	0.64	0.16	0.28	0.12
Aje-4	Turonian	2,048.7	2,181.5	132.8	84.8	0.64	0.17	0.32	0.13
Aje-2	Upper Cenomanian	2,388.5	2,450.2	61.7	35.4	0.57	0.16	0.47	0.14
Aje-4	Upper Cenomanian	2,399.4	2,456.7	57.3	37.8	0.66	0.18	0.45	0.11
Aje-2	Lower Cenomanian	2,450.2	2,568.3	118.1	32.8	0.28	0.13	0.53	0.17
Aje-4	Lower Cenomanian	2,456.7	2,587.6	130.9	55.3	0.42	0.14	0.54	0.11
Aje-2	Upper Lower Albian	2,895.4	3,036.2	140.8	24.1	0.17	0.12	-	0.13
Aje-4	Upper Lower Albian	2,898.0	3,036.4	138.4	74.4	0.54	0.14	0.59	0.09
Aje-4	Lower Albian	3,086.7	3,166.8	80.1	44.0	0.55	0.15	0.54	0.04

<sup>(1)</sup> NTG is based on net reservoir thickness using the following cutoffs: effective porosity greater than 10 percent and clay volume less than 50 percent.

<sup>(2)</sup> Water saturation is based on net pay thickness using the following cutoffs: effective porosity greater than 10 percent, effective water saturation less than 65 percent, and clay volume less than 50 percent.

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

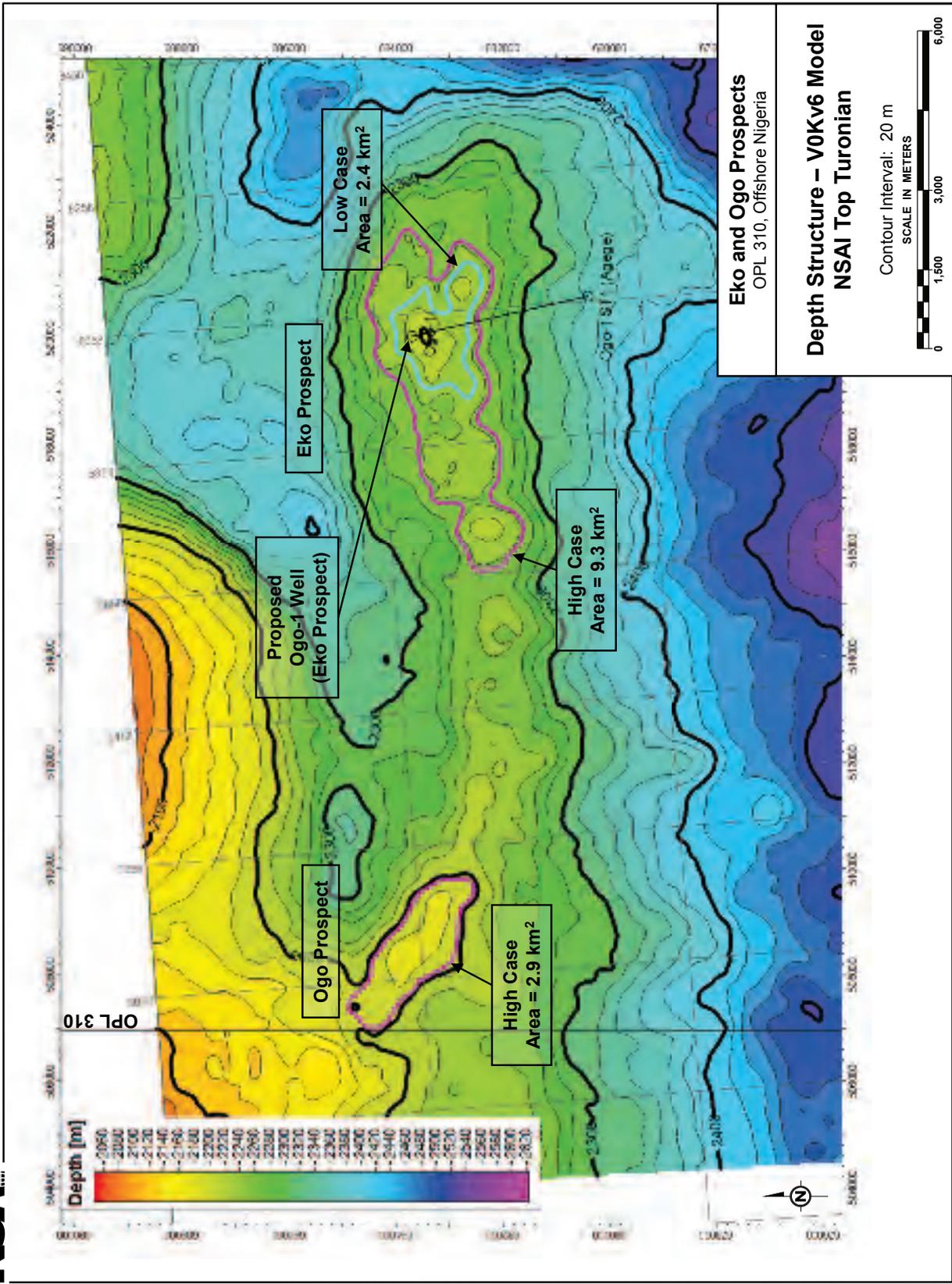
Figure 7



Adapted from a figure provided by Afren plc.

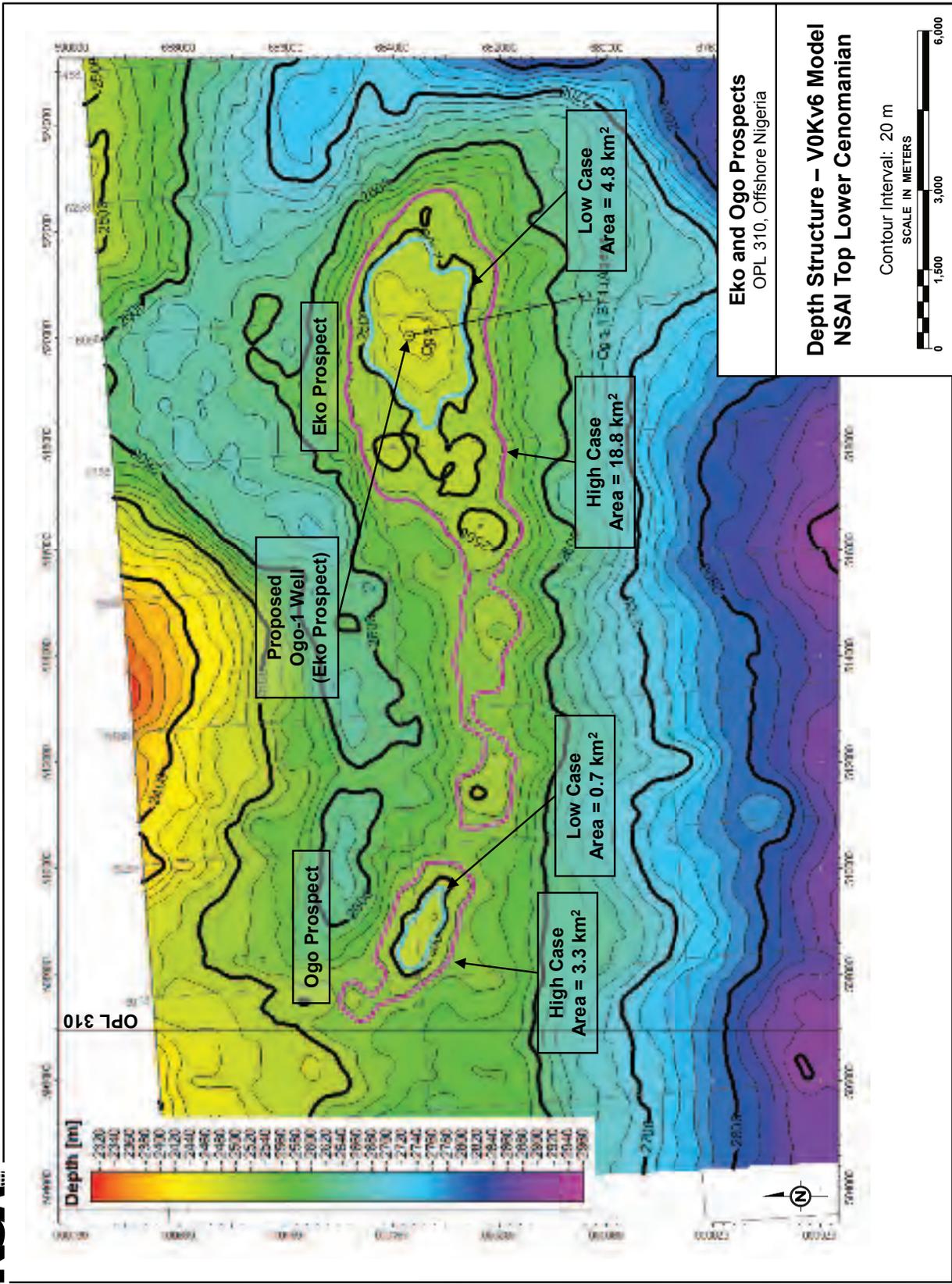
All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 8



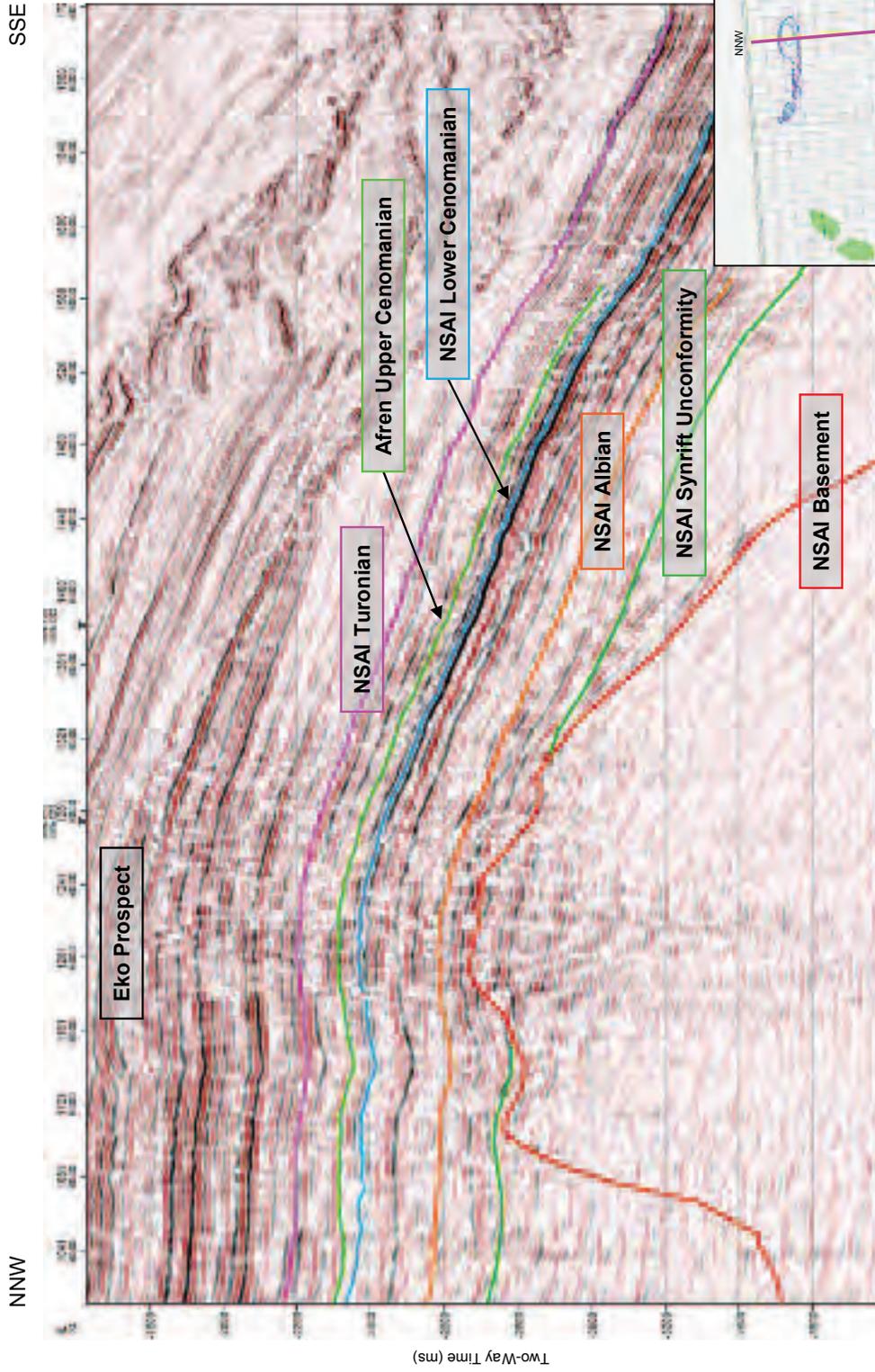
All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 9



All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

2012 PreSDM (Time-Stretched) 3-D Seismic Crossline 6000  
 Eko Prospect  
 OPL 310, Offshore Nigeria



Note: The proposed Ogo-1 well is not shown because it was not projected in the time domain.

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 11

2012 PreSDM (Depth-Converted V0Kv6 Model) 3-D Seismic Crossline 6000  
 Eko Prospect  
 OPL 310, Offshore Nigeria

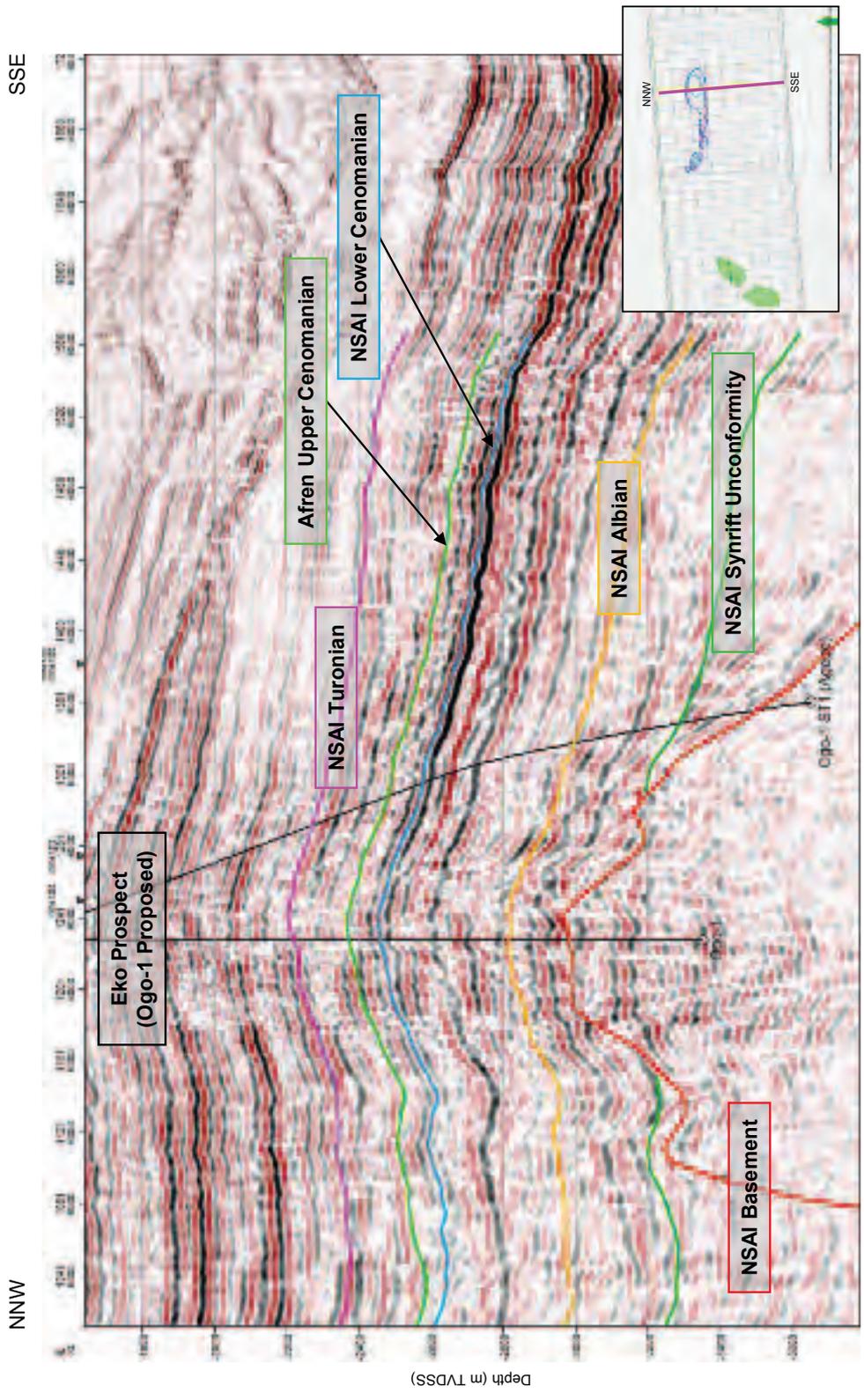


Figure 12

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

2012 PreSDM (Depth-Converted V0Kv6 Model) 3-D Seismic Inline 1250  
 Eko Prospect  
 OPL 310, Offshore Nigeria

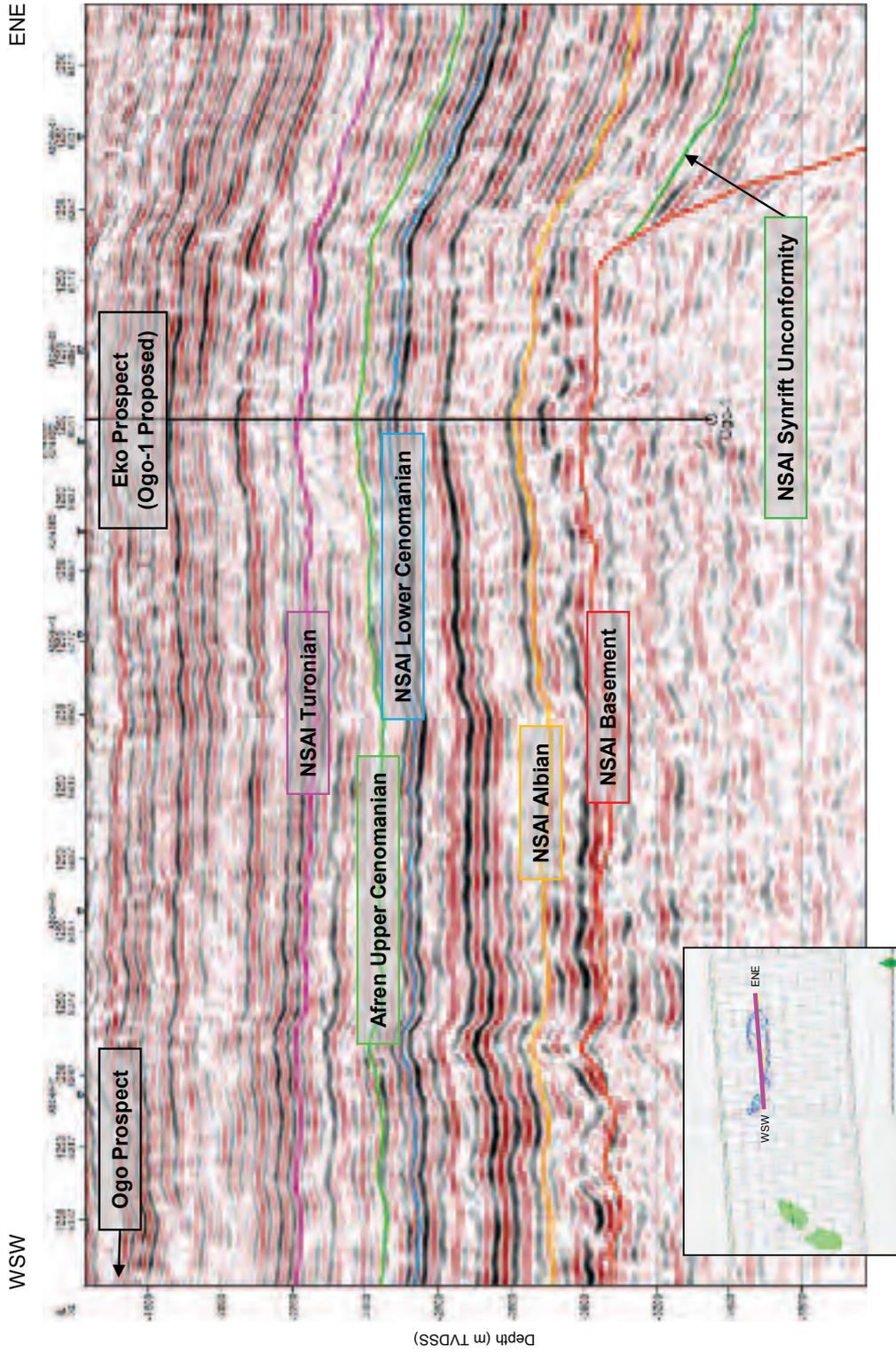


Figure 13

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

INPUT PARAMETERS  
OPL 310, OFFSHORE NIGERIA  
AS OF MARCH 31, 2013

Prospect or Lead/ Reservoir	Hydrocarbon Type	GRV (10 <sup>6</sup> m <sup>3</sup> )		NTG (decimal)		Porosity (decimal)		S <sub>o</sub> (decimal)		S <sub>g</sub> (decimal)		B <sub>o</sub> (RB/STB)		B <sub>g</sub> (SCF/RCF)		Oil Column (decimal)		RF (decimal)					
		P95	P5	Min	Max	P90	P10	P90	P10	P90	P10	P90	P10	P90	P10	Min	Max	Min	Max				
<b>Eko Prospect</b>																							
Turonian	Oil/Gas	23,145	556,418	0.51	0.60	0.16	0.64	0.52	0.60	0.68	0.72	1.41	1.49	210	230	0.10	0.50	0.20	0.30	0.40	0.60	0.73	0.85
Upper Cenomanian	Oil	91,896	701,072	0.57	0.62	0.15	0.66	0.50	0.58	-	-	1.41	1.49	-	-	1.00	1.00	0.20	0.30	0.40	-	-	-
Lower Cenomanian	Oil	78,276	645,241	0.28	0.37	0.42	0.42	0.43	0.49	-	-	1.41	1.49	-	-	1.00	1.00	0.20	0.30	0.40	-	-	-
Lower Albian	Oil/Gas	122,303	1,044,180	0.45	0.55	0.14	0.65	0.43	0.49	0.68	0.72	1.41	1.49	210	230	0.10	0.50	0.20	0.30	0.40	0.60	0.73	0.85
<b>Ogo Prospect</b>																							
Turonian	Oil/Gas	5,900	154,306	0.51	0.60	0.16	0.64	0.52	0.60	0.68	0.72	1.41	1.49	210	230	0.10	0.50	0.20	0.30	0.40	0.60	0.73	0.85
Upper Cenomanian	Oil	10,518	135,139	0.57	0.62	0.15	0.66	0.50	0.58	-	-	1.41	1.49	-	-	1.00	1.00	0.20	0.30	0.40	-	-	-
Lower Cenomanian	Oil	2,859	198,286	0.28	0.37	0.42	0.42	0.43	0.49	-	-	1.41	1.49	-	-	1.00	1.00	0.20	0.30	0.40	-	-	-
Lower Albian	Oil/Gas	17,387	999,162	0.45	0.55	0.14	0.65	0.43	0.49	0.68	0.72	1.41	1.49	210	230	0.10	0.50	0.20	0.30	0.40	0.60	0.73	0.85
<b>Agege Prospect</b>																							
Lower Cenomanian	Oil	1,207,500	6,222,500	0.28	0.37	0.42	0.42	0.43	0.49	-	-	1.41	1.49	-	-	1.00	1.00	0.20	0.30	0.40	-	-	-
Synrift (Pre-Albian)	Oil/Gas	273,870	3,698,795	0.20	0.40	0.80	0.80	0.40	0.60	0.45	0.65	1.41	1.49	210	230	0.10	0.50	0.20	0.30	0.40	0.60	0.73	0.85
<b>Ado Lead</b>																							
Turonian	Oil/Gas	224,000	780,000	0.51	0.60	0.16	0.64	0.52	0.60	0.68	0.72	1.41	1.49	210	230	0.10	0.50	0.20	0.30	0.40	0.60	0.73	0.85
Upper Cenomanian	Oil	184,000	840,000	0.57	0.62	0.15	0.66	0.50	0.58	-	-	1.41	1.49	-	-	1.00	1.00	0.20	0.30	0.40	-	-	-
Lower Cenomanian	Oil	144,000	900,000	0.28	0.37	0.42	0.42	0.43	0.49	-	-	1.41	1.49	-	-	1.00	1.00	0.20	0.30	0.40	-	-	-
Lower Albian	Oil/Gas	192,000	660,000	0.45	0.55	0.14	0.65	0.43	0.49	0.68	0.72	1.41	1.49	210	230	0.10	0.50	0.20	0.30	0.40	0.60	0.73	0.85
<b>Shasha Lead</b>																							
Turonian	Oil/Gas	348,000	1,740,000	0.51	0.60	0.16	0.64	0.52	0.60	0.68	0.72	1.41	1.49	210	230	0.10	0.50	0.20	0.30	0.40	0.60	0.73	0.85
Upper Cenomanian	Oil	236,000	1,260,000	0.57	0.62	0.15	0.66	0.50	0.58	-	-	1.41	1.49	-	-	1.00	1.00	0.20	0.30	0.40	-	-	-
Lower Cenomanian	Oil	124,000	780,000	0.28	0.37	0.42	0.42	0.43	0.49	-	-	1.41	1.49	-	-	1.00	1.00	0.20	0.30	0.40	-	-	-
Lower Albian	Oil/Gas	424,000	1,440,000	0.45	0.55	0.14	0.65	0.43	0.49	0.68	0.72	1.41	1.49	210	230	0.10	0.50	0.20	0.30	0.40	0.60	0.73	0.85

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 14

ESTIMATES OF UNDISCOVERED IN-PLACE VOLUMES AND UNRISKED GROSS (100 PERCENT) PROSPECTIVE RESOURCES  
OPL 310, OFFSHORE NIGERIA  
AS OF MARCH 31, 2013

Prospect or Lead/ Reservoir	Undiscovered In-Place Volumes						Unrisked Gross (100 Percent) Prospective Resources												
	Oil (MMBBL)			Gas (BCF)			Oil (MMBBL)			Free Gas (BCF)			Condensate <sup>(1)</sup> (MMBBL)			Solution Gas <sup>(2)</sup> (MMBBL)			
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	
<b>Eko Prospect</b>																			
Turonian	1.7	8.3	32.1	11.7	44.7	152.0	0.4	2.5	10.8	7.9	32.4	118.3	0.5	2.1	7.9	0.3	1.5	6.4	
Upper Cenomanian	27.2	59.9	134.0	-	-	-	6.9	17.8	46.1	-	-	-	-	-	-	4.1	10.7	27.8	
Lower Cenomanian	9.9	23.0	52.0	-	-	-	2.5	6.8	17.6	-	-	-	-	-	-	1.5	4.1	10.7	
Lower Albian	5.1	17.2	47.6	44.4	111.8	274.1	1.4	5.1	16.0	30.3	80.5	209.7	1.9	5.3	14.2	0.8	3.0	9.6	
<b>Total - Eko Prospect</b>	<b>43.9</b>	<b>108.4</b>	<b>265.7</b>	<b>56.1</b>	<b>156.4</b>	<b>426.1</b>	<b>11.3</b>	<b>32.1</b>	<b>90.5</b>	<b>38.2</b>	<b>112.9</b>	<b>328.0</b>	<b>2.4</b>	<b>7.4</b>	<b>22.0</b>	<b>6.7</b>	<b>19.3</b>	<b>54.5</b>	
<b>Ogo Prospect</b>																			
Turonian	0.4	2.0	8.7	3.0	11.2	42.4	0.1	0.6	2.9	2.0	8.1	32.9	0.1	0.5	2.2	0.1	0.4	1.7	
Upper Cenomanian	3.3	9.1	24.5	-	-	-	0.8	2.7	8.1	-	-	-	-	-	-	0.5	1.6	4.9	
Lower Cenomanian	1.1	5.8	15.9	-	-	-	0.3	1.7	5.3	-	-	-	-	-	-	0.2	1.0	3.2	
Lower Albian	1.0	5.9	34.7	8.3	39.5	207.5	0.3	1.8	11.5	5.6	28.4	160.4	0.4	1.8	10.7	0.2	1.1	6.9	
<b>Total - Ogo Prospect</b>	<b>5.8</b>	<b>22.9</b>	<b>83.8</b>	<b>11.4</b>	<b>50.7</b>	<b>249.9</b>	<b>1.5</b>	<b>6.8</b>	<b>27.9</b>	<b>7.6</b>	<b>36.5</b>	<b>193.3</b>	<b>0.5</b>	<b>2.4</b>	<b>12.9</b>	<b>0.9</b>	<b>4.1</b>	<b>16.8</b>	
<b>Agege Prospect</b>																			
Lower Cenomanian	149.8	281.9	539.7	-	-	-	38.7	84.4	183.2	-	-	-	-	-	-	23.2	50.3	111.0	
Synrift (Pre-Albian)	7.1	27.5	110.5	45.2	132.4	479.4	1.9	8.1	36.3	30.8	96.0	370.7	2.0	6.3	24.7	1.1	4.8	21.7	
<b>Total - Agege Prospect</b>	<b>157.0</b>	<b>309.4</b>	<b>650.2</b>	<b>45.2</b>	<b>132.4</b>	<b>479.4</b>	<b>40.6</b>	<b>92.5</b>	<b>219.5</b>	<b>30.8</b>	<b>96.0</b>	<b>370.7</b>	<b>2.0</b>	<b>6.3</b>	<b>24.7</b>	<b>24.3</b>	<b>55.2</b>	<b>132.7</b>	
<b>Ado Lead</b>																			
Turonian	10.6	29.3	62.4	83.7	153.2	273.7	2.9	8.7	20.3	56.6	110.7	210.7	3.6	7.3	14.5	1.7	5.2	12.3	
Upper Cenomanian	50.7	93.1	173.4	-	-	-	13.1	27.9	58.8	-	-	-	-	-	-	7.8	16.6	35.6	
Lower Cenomanian	17.7	37.2	77.1	-	-	-	4.6	11.1	26.2	-	-	-	-	-	-	2.7	6.6	15.8	
Lower Albian	6.1	17.3	36.4	61.3	114.1	198.9	1.7	5.1	11.9	41.7	82.2	152.5	2.7	5.3	10.5	1.0	3.1	7.2	
<b>Total - Ado Lead</b>	<b>85.1</b>	<b>176.9</b>	<b>349.2</b>	<b>144.9</b>	<b>267.2</b>	<b>472.6</b>	<b>22.2</b>	<b>52.7</b>	<b>117.2</b>	<b>98.3</b>	<b>192.9</b>	<b>363.1</b>	<b>6.2</b>	<b>12.7</b>	<b>25.0</b>	<b>13.2</b>	<b>31.5</b>	<b>70.8</b>	
<b>Shaaha Lead</b>																			
Turonian	18.7	54.5	125.7	139.9	280.3	577.5	5.0	16.0	41.7	94.1	202.6	443.6	5.9	13.5	30.4	3.0	9.6	24.9	
Upper Cenomanian	66.4	130.3	254.2	-	-	-	17.1	39.2	86.3	-	-	-	-	-	-	10.2	23.4	52.4	
Lower Cenomanian	15.5	31.4	65.0	-	-	-	4.0	9.4	21.6	-	-	-	-	-	-	2.4	5.6	13.1	
Lower Albian	13.9	38.8	82.4	136.6	244.7	424.5	3.8	11.4	27.1	92.4	177.2	326.9	5.8	11.6	22.8	2.3	6.8	16.2	
<b>Total - Shaaha Lead</b>	<b>114.5</b>	<b>255.0</b>	<b>527.2</b>	<b>276.5</b>	<b>525.0</b>	<b>1,001.9</b>	<b>29.9</b>	<b>76.0</b>	<b>176.7</b>	<b>186.5</b>	<b>379.9</b>	<b>770.5</b>	<b>11.7</b>	<b>25.1</b>	<b>53.2</b>	<b>17.8</b>	<b>45.5</b>	<b>106.6</b>	
<b>Total</b>	<b>406.2</b>	<b>872.7</b>	<b>1,876.1</b>	<b>534.1</b>	<b>1,131.8</b>	<b>2,629.9</b>	<b>105.5</b>	<b>260.2</b>	<b>631.8</b>	<b>361.4</b>	<b>818.2</b>	<b>2,025.7</b>	<b>22.8</b>	<b>53.9</b>	<b>137.9</b>	<b>62.9</b>	<b>155.5</b>	<b>381.5</b>	

Note: Totals are the arithmetic sum of multiple probability distributions; totals may not add because of rounding. Totals of undiscovered resources beyond the prospect and lead levels are not reflective of volumes that can be expected to be recovered and are shown for convenience only. Because of the geologic risk associated with each prospect and lead, meaningful totals beyond these levels can be defined only by summing risked prospective resources. Such risk is often significant.

(1) The condensate-gas ratios used for the low, best, and high estimates are 40, 60, and 100 barrels per million cubic feet, respectively.

(2) The gas-oil ratios used for the low, best, and high estimates are 500, 600, and 700 standard cubic feet per stock tank barrel, respectively.

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 15

ESTIMATES OF UNRISKED PROSPECTIVE RESOURCES TO THE 27 PERCENT POST COST RECOVERY WORKING (ECONOMIC) INTEREST AND GEOLOGIC RISK FACTOR  
OPL 310, OFFSHORE NIGERIA  
AS OF MARCH 31, 2013

Prospect or Lead/ Reservoir	Unrisked Prospective Resources to the 27 Percent Post Cost Recovery Working (Economic) Interest																		Geologic Risk Factor (decimal)
	Oil (MMBBL)			Free Gas (BCF)			Condensate <sup>(1)</sup> (MMBBL)			Solution Gas <sup>(2)</sup> (MMBBL)						Geologic Risk Factor (decimal)			
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate				
<b>Eko Prospect</b>																			
Turonian	0.1	0.7	2.9	2.1	8.7	31.9	0.1	0.6	2.1	0.1	0.4	1.7	0.1	0.1	0.4	1.7	0.4	0.27	
Upper Cenomanian	1.9	4.8	12.5	-	-	-	-	-	-	-	-	-	1.1	1.1	2.9	7.5	0.27	0.27	
Lower Cenomanian	0.7	1.8	4.8	-	-	-	-	-	-	-	-	-	0.4	0.4	1.1	2.9	0.27	0.27	
Lower Albian	0.4	1.4	4.3	8.2	21.7	56.6	0.5	1.4	3.8	0.2	0.8	2.6	0.2	0.8	2.6	14.7	0.27	0.27	
<b>Total - Eko Prospect</b>	<b>3.0</b>	<b>8.7</b>	<b>24.4</b>	<b>10.3</b>	<b>30.5</b>	<b>88.5</b>	<b>0.6</b>	<b>2.0</b>	<b>6.0</b>	<b>1.8</b>	<b>5.2</b>	<b>14.7</b>							
<b>Ogo Prospect</b>																			
Turonian	0.0	0.2	0.8	0.5	2.2	8.9	0.0	0.1	0.6	0.0	0.1	0.5	0.0	0.0	0.1	0.5	0.25	0.25	
Upper Cenomanian	0.2	0.7	2.2	-	-	-	-	-	-	-	-	-	0.1	0.1	0.4	1.3	0.25	0.25	
Lower Cenomanian	0.1	0.5	1.4	-	-	-	-	-	-	-	-	-	0.0	0.0	0.3	0.9	0.25	0.25	
Lower Albian	0.1	0.5	3.1	1.5	7.7	43.3	0.1	0.5	2.9	0.0	0.3	1.9	0.0	0.0	0.3	1.9	0.25	0.25	
<b>Total - Ogo Prospect</b>	<b>0.4</b>	<b>1.8</b>	<b>7.5</b>	<b>2.1</b>	<b>9.9</b>	<b>52.2</b>	<b>0.1</b>	<b>0.6</b>	<b>3.5</b>	<b>0.2</b>	<b>1.1</b>	<b>4.5</b>							
<b>Agege Prospect</b>																			
Lower Cenomanian	10.4	22.8	49.5	-	-	-	-	-	-	-	-	-	6.3	13.6	30.0	0.08	0.08	0.08	
Synrift (Pre-Albian)	0.5	2.2	9.8	8.3	25.9	100.1	0.5	1.7	6.7	0.3	1.3	5.9	0.3	1.3	5.9	35.8	0.08	0.08	
<b>Total - Agege Prospect</b>	<b>11.0</b>	<b>25.0</b>	<b>59.3</b>	<b>8.3</b>	<b>25.9</b>	<b>100.1</b>	<b>0.5</b>	<b>1.7</b>	<b>6.7</b>	<b>0.6</b>	<b>2.6</b>	<b>6.4</b>							
<b>Ado Lead</b>																			
Turonian	0.8	2.3	5.5	15.3	29.9	56.9	1.0	2.0	3.9	0.5	1.4	3.3	0.5	1.4	3.3	0.07	0.07	0.07	
Upper Cenomanian	3.5	7.5	15.9	-	-	-	-	-	-	-	-	-	2.1	4.5	9.6	0.07	0.07	0.07	
Lower Cenomanian	1.2	3.0	7.1	-	-	-	-	-	-	-	-	-	0.7	1.8	4.3	0.07	0.07	0.07	
Lower Albian	0.5	1.4	3.2	11.3	22.2	41.2	0.7	1.4	2.8	0.3	0.8	1.9	0.3	0.8	1.9	19.1	0.07	0.07	
<b>Total - Ado Lead</b>	<b>6.0</b>	<b>14.2</b>	<b>31.6</b>	<b>26.5</b>	<b>52.1</b>	<b>98.0</b>	<b>1.7</b>	<b>3.4</b>	<b>6.8</b>	<b>3.6</b>	<b>8.5</b>	<b>19.1</b>							
<b>Shasha Lead</b>																			
Turonian	1.4	4.3	11.3	25.4	54.7	119.8	1.6	3.6	8.2	0.8	2.6	6.7	0.8	2.6	6.7	0.12	0.12	0.12	
Upper Cenomanian	4.6	10.6	23.3	-	-	-	-	-	-	-	-	-	2.7	6.3	14.1	0.12	0.12	0.12	
Lower Cenomanian	1.1	2.5	5.8	-	-	-	-	-	-	-	-	-	0.6	1.5	3.5	0.12	0.12	0.12	
Lower Albian	1.0	3.1	7.3	24.9	47.9	88.3	1.6	3.1	6.2	0.6	1.8	4.4	0.6	1.8	4.4	28.8	0.12	0.12	
<b>Total - Shasha Lead</b>	<b>8.1</b>	<b>20.5</b>	<b>47.7</b>	<b>50.3</b>	<b>102.6</b>	<b>208.0</b>	<b>3.2</b>	<b>6.8</b>	<b>14.4</b>	<b>4.8</b>	<b>12.3</b>	<b>28.8</b>							
<b>Total</b>	<b>28.5</b>	<b>70.3</b>	<b>170.6</b>	<b>97.6</b>	<b>220.9</b>	<b>546.9</b>	<b>6.1</b>	<b>14.5</b>	<b>37.2</b>	<b>17.0</b>	<b>42.0</b>	<b>103.0</b>							

Note: Totals are the arithmetic sum of multiple probability distributions; totals may not add because of rounding. Totals of unrisked prospective resources beyond the prospect and lead levels are not reflective of volumes that can be expected to be recovered and are shown for convenience only. Because of the geologic risk associated with each prospect and lead, meaningful totals beyond these levels can be defined only by summing risked prospective resources. Such risk is often significant.

(1) The condensate-gas ratios used for the low, best, and high estimates are 40, 60, and 100 barrels per million cubic feet, respectively.

(2) The gas-oil ratios used for the low, best, and high estimates are 500, 600, and 700 standard cubic feet per stock tank barrel, respectively.

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

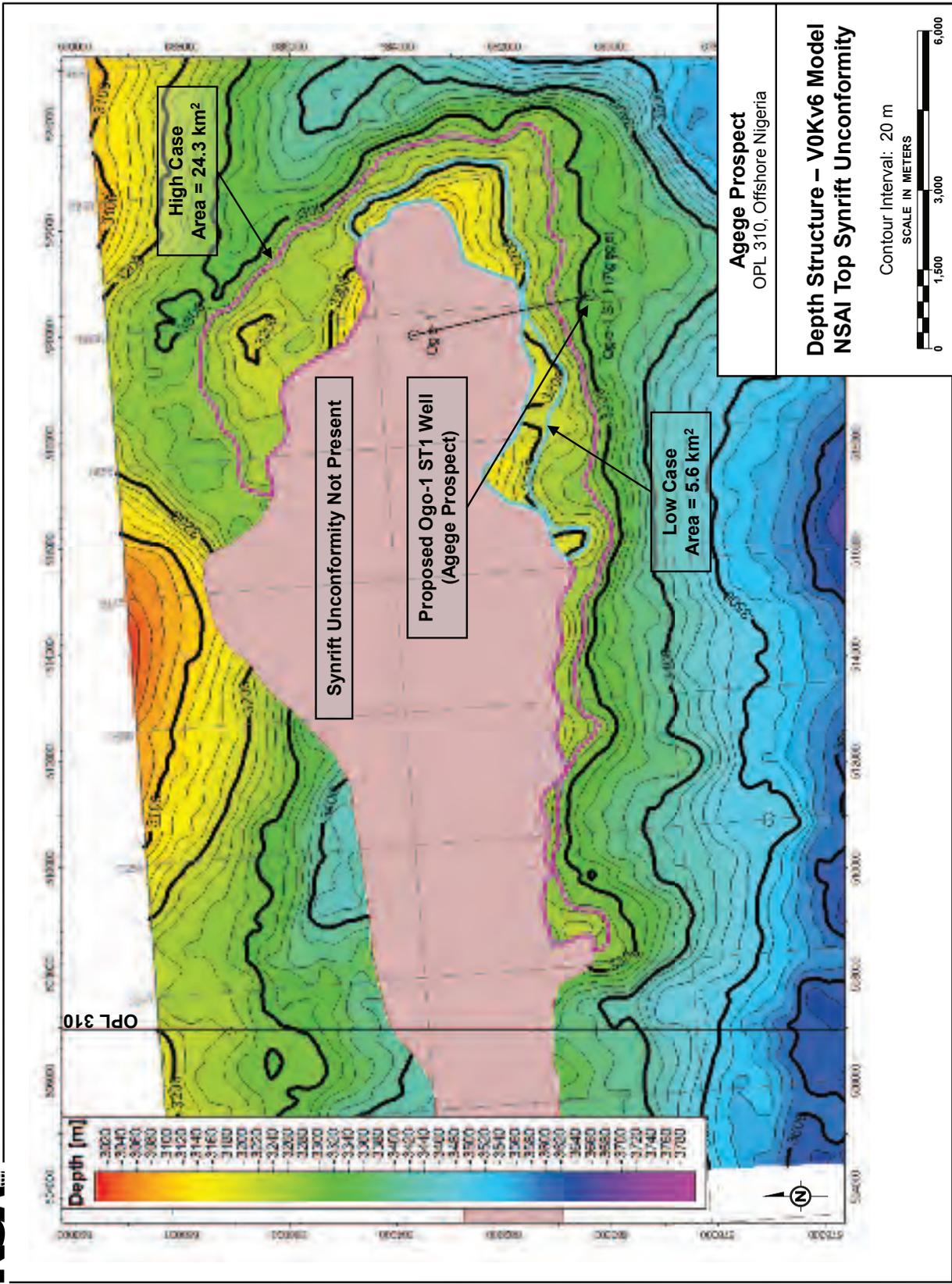
Figure 16

GEOLOGIC RISK ASSESSMENT  
OPL 310, OFFSHORE NIGERIA  
AS OF MARCH 31, 2013

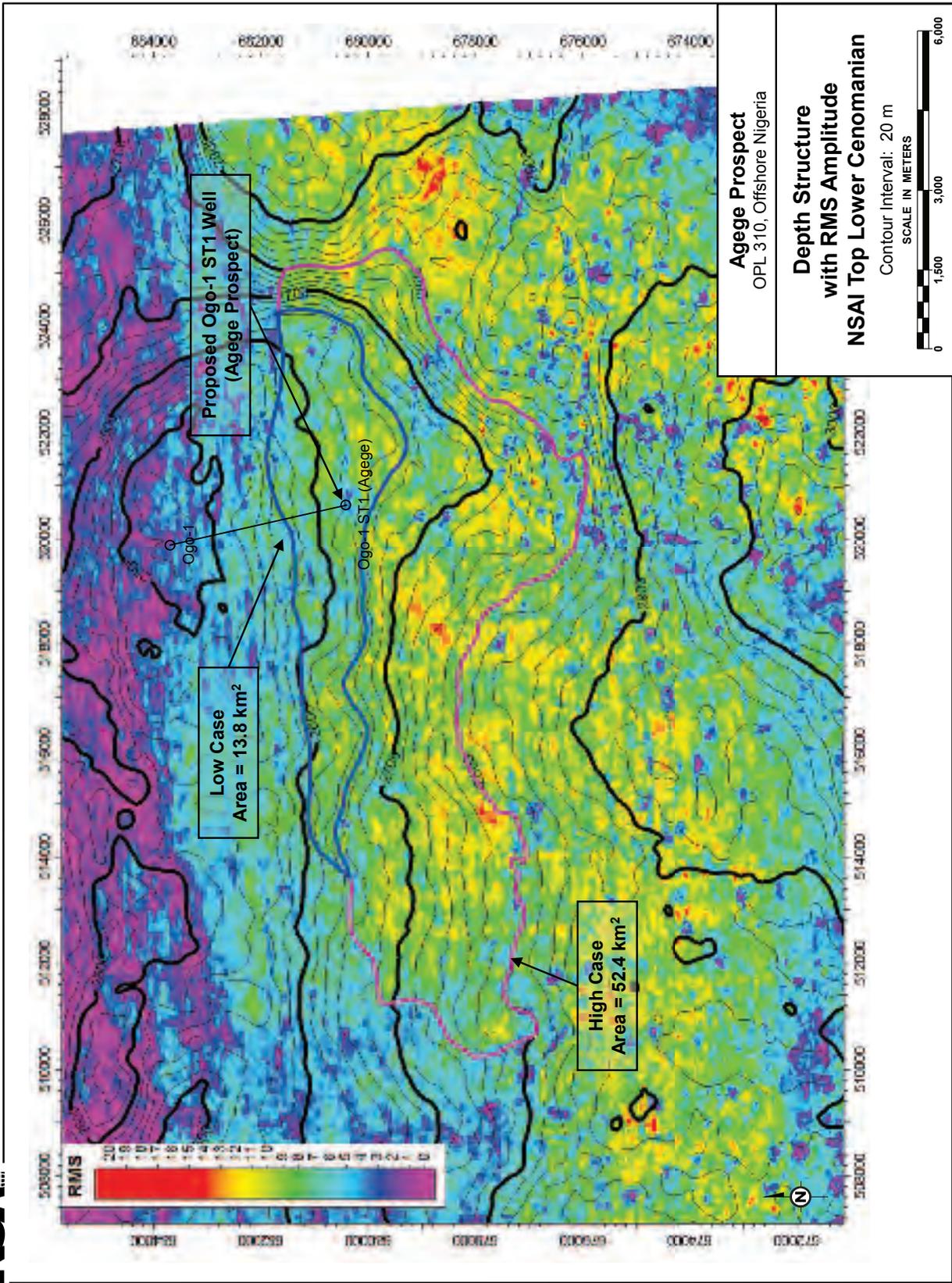
Prospect or Lead	Risk Assessment Parameter (decimal)					P <sub>g</sub> (decimal)
	Trap Integrity	Reservoir Quality	Source Evaluation	Timing/ Migration		
Eko Prospect	0.65	0.75	0.75	0.75	0.75	0.27
Ogo Prospect	0.60	0.75	0.75	0.75	0.75	0.25
Agege Prospect	0.25	0.55	0.75	0.75	0.75	0.08
Ado Lead	0.35	0.35	0.75	0.80	0.80	0.07
Shasha Lead	0.35	0.60	0.75	0.75	0.75	0.12

Figure 17

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

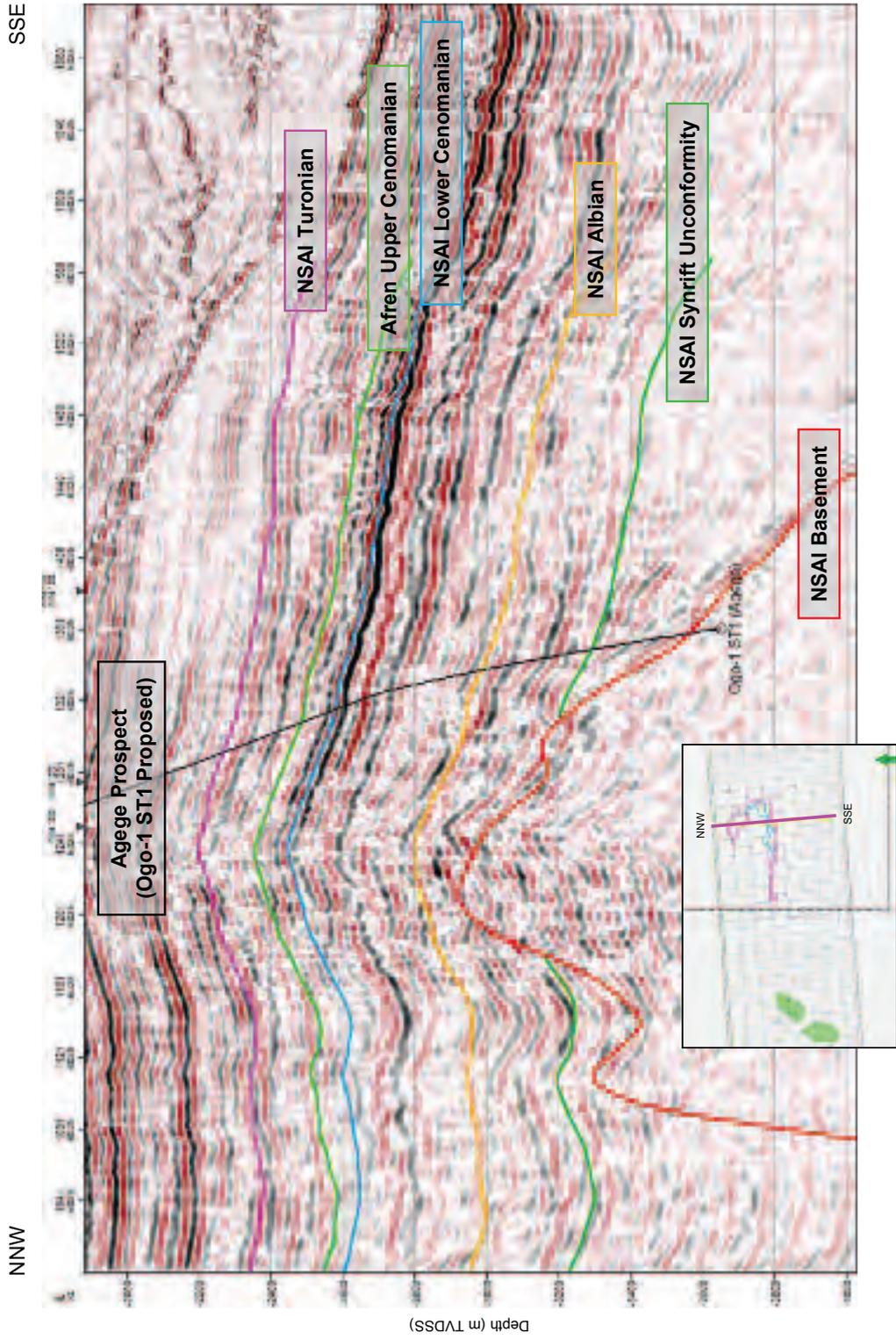


All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.



All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

2012 PreSDM (Depth-Converted V0Kv6 Model) 3-D Seismic Crossline 6025  
 Agege Prospect  
 OPL 310, Offshore Nigeria



All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 20



- Legend**
- ☀ Gas well
  - ⚡ Gas and oil show
  - ⚙ Oil show
  - ⊖ Dry and abandoned
  - DSDP borehole

**Offshore Namibia**

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**Regional Location Map**

SCALE IN KILOMETERS

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 21



**Blocks 2514 A & B**  
Offshore Namibia

**Seismic Base Map**



Adapted from a figure provided by Lekoil Limited.

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Figure 22

## REFERENCES

## REFERENCES

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## PART 6

### ADDITIONAL INFORMATION

#### 1. Responsibility statements

- 1.1 The Directors, whose names and functions are set out on page 19 of this document, and the Company, accept responsibility, both individually and collectively, for all of the information contained in this document and for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. To the extent that information has been sourced from a third party, this information has been accurately reproduced and, as far as the Directors are aware, no facts have been omitted which may render the reproduced information inaccurate or misleading.
- 1.2 NSAI accepts responsibility for its report set out in Part 5 of this document. To the best of the knowledge and belief of NSAI, who have taken all reasonable care to ensure that such is the case, the information contained in such report is in accordance with the facts and does not omit anything likely to affect the import of such information.

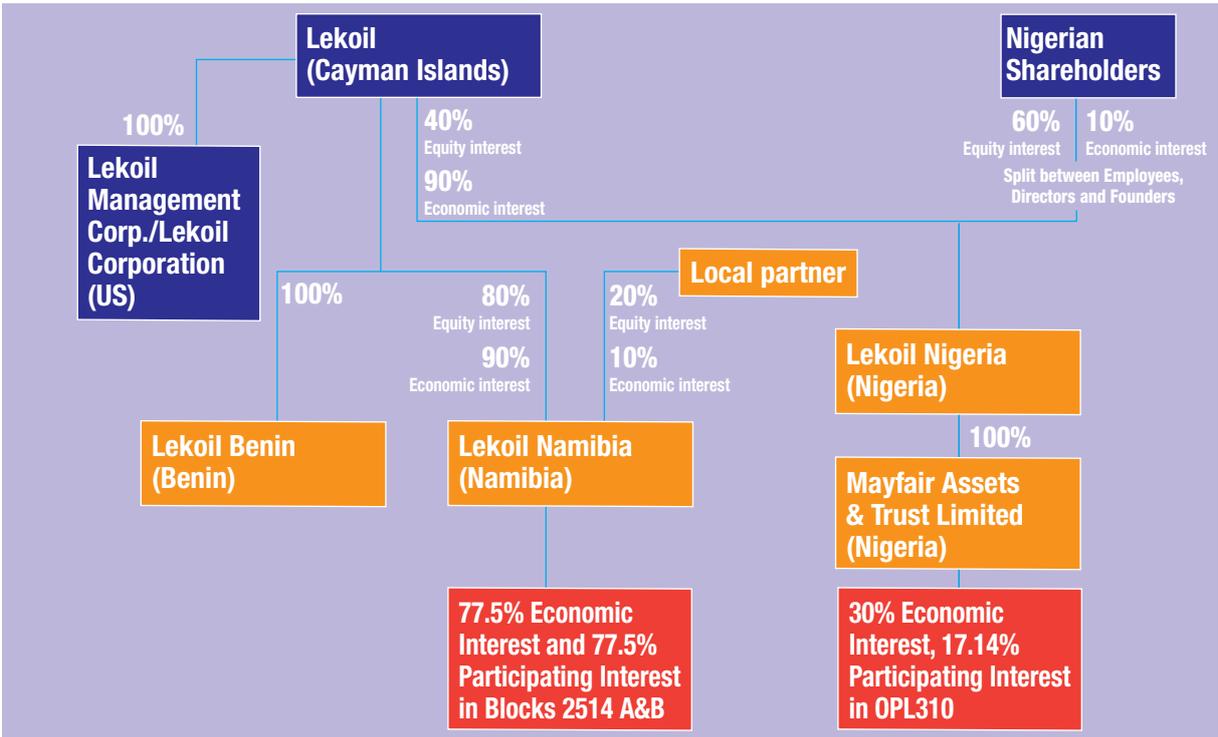
#### 2. Incorporation and registration

- 2.1 The Company was incorporated and registered in the Cayman Islands under the Cayman Act on 3 December 2010 as an exempted company with limited liability with registration number WK-248859.
- 2.2 The liability of the Company's members is limited to the amount, if any, unpaid on their shares respectively held by each of them. The Company has an unlimited life unless it is dissolved, wound up or enters into any reconstruction, amalgamation or is merged into, or transferred to, another entity in accordance with the Cayman Act.
- 2.3 The Company's registered office is at c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands. The principal place of business of the Group is at 179A Moshood Olugbani Street, Victoria Island, Lagos, Nigeria. The telephone number at this address is +234 1 277 0560. The address of the Company's corporate website on which the information required by Rule 26 of the AIM Rules can be found is [www.lekoil.com](http://www.lekoil.com).
- 2.4 The principal activity of the Company is to act as a holding company. It acts as the holding company of the Group, whose principal activities are described more fully in Part 1 of this document, and which is summarised at paragraph 3 below. There are no exceptional factors which have influenced the Company's activities.
- 2.5 The Company has no administrative, management or supervisory bodies other than the Board, the remuneration committee and the audit committee, both of which have been established with effect from Admission.
- 2.6 The Company is governed by its Articles and the principal legislation under which the Company operates is the Cayman Act (where applicable) and the regulations made thereunder.
- 2.7 The Company's auditors are KPMG which is registered with the Institute of Chartered Accountants of Nigeria and the Financial Reporting Council of Nigeria.
- 2.8 The accounting reference date of the Company is 31 December.
- 2.9 The International Security Identification Number or "ISIN" for the Ordinary Shares is KYG5462G1073.

- 2.10 Save as disclosed in paragraph 3 below, there are no undertakings in which the Company holds a proportion of the capital that is likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits.
- 2.11 The liability of the members of the Company is limited to the amount, if any, unpaid on the shares respectively held by them.
- 2.12 The Company is domiciled in the Cayman Islands.

**3. Group organisation**

A structure chart showing the Group structure is set out below showing each of the Company’s subsidiary undertakings, the percentage of voting rights exercised by each shareholder (referred to in the table below as “Equity”) and the percentage rights to any distribution declared by such Company (referred to in the table below as “Economic”) together with the ultimate Economic and Participating Interests intended to be owned by the Company’s subsidiaries:



**4. Share capital**

4.1 The issued share capital of the Company is at 31 December 2012, the date of this document and on Admission will be:

	<i>Issued and fully paid</i>	
	<i>US\$</i>	<i>No. of Ordinary Shares</i>
At 31 December 2012 <sup>(2)</sup>	3,815	7,630,909
Existing	5,126	102,524,233
At Admission <sup>(1)</sup>	9,139	182,774,233

(1) Assuming no exercise of the Over-Allotment Option.  
 (2) Par value of US\$0.0005, prior to sub-division by factor of 10.

- 4.2 The Company has no issued Ordinary Shares that are not fully paid up. As at 31 December 2012, the Company did not have any issued Ordinary Shares that were not fully paid up.
- 4.3 The Company was incorporated with an authorised share capital of US\$50,000.00 divided into 100,000,000 Ordinary Shares with a par value of US\$0.0005 per Ordinary Share with only one Ordinary Share initially issued to Walkers Nominees Limited (“WNL”) as the subscriber on 3 December 2010. On 7 December 2010, the subscriber share was transferred to Lekan and

2,999,999 further Ordinary Shares were issued to Lekan. On 7 February 2011, the Company resolved to issue 3,717,000 further Ordinary Shares. On 25 July 2011, the Company resolved to issue 913,909.28 further Ordinary Shares. On 27 March 2013, the Company resolved to issue 350,000 Ordinary Shares to David Robinson in respect of options he had exercised over the same at an exercise price per share of US\$1. On 4 April 2013, a duly authorised sub-committee of the Board resolved to terminate certain options over Ordinary Shares with an exercise price of either US\$1 and US\$3.75 and in consideration issued, in aggregate, 1,998,307 Ordinary Shares to the relevant option holders. On 8 April 2013, the Shareholders of the Company resolved to sub-divide the issued share capital by ten, which resulted in an increase in the issued share capital, and a decrease in its par value, by the same multiple, to 99,792,102.80 Ordinary Shares and US\$0.00005 per Ordinary Share, respectively. On the same date, the authorised share capital was increased to 1,000,000,000 Ordinary Shares.

- 4.4 The Directors are authorised pursuant to the Articles (and subject to certain limits and rights of pre-emption in the Articles, a summary of which is set out in paragraphs 12.5 and 12.6, respectively, of Part 6 of this document) to allot Ordinary Shares in the Company from time to time on such terms and of such class as they think fit. Notwithstanding the general free transferability of the Ordinary Shares, the Articles permit the Board, in its absolute discretion, to refuse to register a transfer of an Ordinary Share to a person of whom it does not approve, except where such transfers are fully paid; the Company has no lien over such shares; the instrument of transfer is duly stamped; is in favour of not more than four joint transferees; is in respect of only one class of shares; and that the current formalities specified in the Articles have been followed.
- 4.5 The dividend and voting rights attaching to the Ordinary Shares are set out in paragraph 12 of this Part 6. The Ordinary Shares each have a right to share in the profits of the Company on a dividend, distribution or return of capital, details of which are set out in paragraph 12 of this Part 6. On a winding-up the holder of an Ordinary Share shall have the rights and entitlements set out in articles 253 to 256 of the Articles, as summarised in paragraph 12.32 of Part 6 of this document. All of the Ordinary Shares have been subscribed for in full in cash.
- 4.6 On Admission, the following events will take place:
- The Company will issue 80,000,000 Placing Shares pursuant to the Placing; and
  - The Company will issue 750,000 Warrants pursuant to the Warrant Instrument.
- 4.7 The Directors shall, subject always to the Cayman Act and any other applicable laws and regulations and the facilities and requirements of CREST and the Articles, have the power to implement and/or approve any arrangements they may, at their absolute discretion, think fit in relation to (without limitation) the evidencing of title to and transfer of interests in shares in the Company in the form of depositary interests or similar interests, instruments or securities, and to the extent such arrangements are so implemented, no provision of the Articles shall apply or have effect to the extent that it is in any respect inconsistent with the holding or transfer thereof or the shares in the Company represented thereby. The Directors may from time to time take such actions and do such things as they may, at their absolute discretion, think fit in relation to the operation of any such arrangements.
- 4.8 The Ordinary Shares are in registered form and in certificated form. Following Admission, Ordinary Shares may be delivered, held and settled in CREST by means of the creation of Depositary Interests, details of which are set out in paragraphs 18 and 19 of this Part 6. A register of Ordinary Shares will be maintained by the Registrar and a register of Depositary Interests will be maintained by the Depositary.
- 4.9 Save as disclosed in this document, no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option and no commissions, discounts, brokerages or other special terms have been granted by the Company since its incorporation in connection with the issue or sale of any share or loan capital of the Company.
- 4.10 The Company has, subject to the Articles and the Cayman Act, the power to redeem or purchase any of the Ordinary Shares and to sub-divide or consolidate its share capital.

- 4.11 The par value of each Ordinary Share is US\$0.00005. The Ordinary Shares have no redemption or conversion provisions.
- 4.12 No person has made a public takeover bid for the Company's issued share capital since the Company's incorporation on 3 December 2010.
- 4.13 The Ordinary Shares are subject to the compulsory acquisition provisions set out in the Articles and section 88 of the Cayman Act. Under the provisions of section 88 of the Cayman Act, where an offeror makes a takeover offer and within four months of making the offer it has been approved by the holders of not less than ninety per cent. in value of the shares to which the offer relates, that offeror is entitled to acquire compulsorily from dissenting shareholders those shares which have not been acquired or contracted to be acquired on the same terms as under the offer.

## 5. Significant Shareholders

- 5.1 Save for the persons set out below, the Directors are not aware of any beneficial holding of Ordinary Shares at the date of this document or immediately following Admission representing three per cent. or more of the Company's issued ordinary share capital nor, so far as the Directors are aware, are there any persons who, directly or indirectly, jointly or severally, exercise, or will exercise, control over the Company:

<i>Shareholder</i>	<i>At the date of this document</i>		<i>Immediately following Admission</i>	
	<i>No. of Ordinary Shares</i>	<i>% shareholding</i>	<i>No. of Ordinary Shares</i>	<i>% shareholding</i>
Olalekan Akinyanmi	39,138,600	38.17%	39,138,600	21.41%
Blackrock Investment Manangement	–	0.00%	19,400,000	10.61%
Senator Investment Group LP	–	0.00%	18,118,500	9.91%
Caldwell Management AG	17,333,330	16.91%	17,816,330	9.75%
Capital Group Companies Inc.	–	0.00%	12,000,000	6.57%
David Robinson	7,787,003	7.60%	7,787,003	4.26%
Centerpol Management SA	5,000,000	4.88%	5,000,000	2.74%
Mirabaud Investment Management	4,250,000	4.15%	4,250,000	2.33%
Corporate Services (TD Waterhouse) Nominees Ltd	3,700,000	3.61%	3,700,000	2.02%

The voting rights of the Shareholders set out in this paragraph 5.1 do not differ from the voting rights held by other Shareholders.

- 5.2 There are no arrangements of which the Directors are aware which may result in a change of control of the Company.

## 6. Directors' shareholdings and other interests

- 6.1 The beneficial interests of the Directors and their families (which expression shall be construed in accordance with the AIM Rules) in the share capital of the Company as at the date of this document and immediately following Admission are, or are expected to be, as follows:

<i>Name</i>	<i>At the date of this document</i>		<i>Immediately following Admission</i>	
	<i>No. of Ordinary Shares</i>	<i>% shareholding</i>	<i>No. of Ordinary Shares</i>	<i>% shareholding</i>
Samuel Adegboyega	1,160,000	1.13%	1,160,000	0.63%
Olalekan Akinyanmi	39,138,600	38.17%	39,138,600	21.41%
David Robinson	7,787,003	7.60%	7,787,003	4.26%
Gregory Eckersley	2,753,050	2.69%	2,753,050	1.51%
Aisha Oyeboode	256,250	0.25%	256,250	0.14%
Atedo Peterside	256,250	0.25%	256,250	0.14%
John van der Welle	–	0.00%	–	0.00%

- 6.2 On Admission, the Directors and their families (which expression shall be construed in accordance with the AIM Rules) will have the following Options over Ordinary Shares:

<i>Name</i>	<i>Date of grant</i>	<i>No. of Ordinary Shares subject to Options</i>	<i>Exercise price per share</i>	<i>Exercise period</i>
Samuel Adegboyega	4 June 2012	750,000	US\$0.75	10 years
Olalekan Akinyanmi	4 June 2012	5,480,000	US\$0.75	10 years
David Robinson	4 June 2012	1,600,000	US\$0.75	10 years
Gregory Eckersley	4 June 2012	1,162,500	US\$0.75	10 years
Aisha Oyebode	19 February 2013*	187,500	US\$0.75	10 years
Atedo Peterside	19 February 2013*	187,500	US\$0.75	10 years
John van der Welle	1 April 2013**	187,500	US\$0.75	10 years

\* *Effective date of appointment 25 February 2013*

\*\* *Effective date of appointment 1 April 2013*

- 6.3 Save as disclosed in this document, none of the Directors' (nor any member of their families) (which expression shall be construed in accordance with the AIM Rules) has any interest, whether beneficial or non-beneficial, in the issued share capital or loan capital of any member of the Group. Lekan holds a 33.33 per cent. shareholding in Lekoil Nigeria. Samuel Adegboyega is the trustee for the shares held by the Directors' trust (6 per cent.) in Lekoil Nigeria. Certain of the Directors are also beneficiaries of the shares in Lekoil Nigeria held by the Directors' trust. Lekan Akinyanmi and David Robinson may, at the option of the Company, be remunerated in the form of Ordinary Shares rather than cash as set out in paragraphs 7.2 and 7.3 of Part 6 of this document.
- 6.4 Save as disclosed in this document, there are no outstanding loans granted by any member of the Group to any of the Directors and there are no guarantees provided by any member of the Group for the benefit of any of the Directors.
- 6.5 There is one outstanding loan of US\$50,000 from Lekoil Management Corp to Lekan.
- 6.6 Save as disclosed in this document, no Director, nor any member of his family (which expression shall be construed in accordance with the AIM Rules) has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares being admitted.
- 6.7 Details of any restrictions agreed by the Directors with regard to the disposal of their holdings in the Company's securities are set out in paragraph 13 of this Part 6.

## **7. Directors' service agreements and letters of appointment**

### ***Service Agreement for Mr Samuel Adegboyega (Non-Executive Chairman)***

- 7.1 The Company has entered into a service agreement with Mr Samuel Adegboyega under the terms of which Mr Adegboyega has been appointed as a non-executive chairman of the Board. The appointment and current agreement took effect from 16 May 2011 and will continue unless terminated by the Company or Mr Adegboyega by giving three months' prior written notice or such earlier notice period as agreed between the parties. Under the terms of the agreement, Mr Adegboyega will be entitled to an annual salary of US\$50,000 which will be payable on a quarterly basis in four equal instalments. Mr Adegboyega will also be eligible to participate in the Company's stock incentive programme as approved by the Board. In the event that his engagement by the Company is terminated for any of the reasons set out in paragraph 9.12 of this Part 6, he shall be entitled to exercise any Options in accordance with the provisions summarised therein.

### ***Service Agreement for Olalekan Akinyanmi (Chief Executive Officer)***

- 7.2 The Company has entered into a service agreement with Mr Olalekan Akinyanmi under the terms of which Mr Akinyanmi has been appointed as Chief Executive Officer of the Company and an executive director of the Board. His appointment began on 7 December 2010 and his current

agreement took effect from 2 January 2011 and will continue unless terminated by the Company or Mr Akinyanmi by giving 12 months' prior written notice or such earlier notice period as agreed between the parties, however such notice may not be given by Mr Akinyanmi or the Company until at least 12 months after the date of Admission.

Under the terms of the agreement, Mr Akinyanmi will be entitled to an annual salary of US\$750,000. However, Mr Akinyanmi has agreed to take:

- (a) his entire salary accrued from the period since 2 January 2011 until Admission (the "Akinyanmi Past Salary"); and
- (b) 100 per cent of his salary accrued for the period of 18 months following Admission, in the form of Ordinary Shares (converted at the Placing Price as at the date of Admission).

Notwithstanding the above, 50 per cent. of the Akinyanmi Past Salary shall be deferred and may be paid in cash (rather than in Ordinary Shares) if, in the opinion of the Board (acting reasonably):

- (a) the first well to be drilled at OPL310 results in a commercial discovery of oil;
- (b) the Company successfully raises additional capital (whether in the form of debt or equity); or
- (c) the Group acquires an asset where oil has been discovered.

It is intended that any portion of remuneration due to Mr Akinyanmi that is to be paid in shares shall be satisfied by the transfer to Mr Akinyanmi of Ordinary Shares allotted to the EBT. The Board shall direct the EBT to transfer the requisite number of shares to Mr Akinyanmi. In addition, Mr Akinyanmi is entitled to cash bonuses and/or stock options that may be approved by the Board from time to time.

In the event that his employment is terminated for death, disability, without cause or due to resignation with good reason, Mr Akinyanmi shall be entitled to all unvested options, restricted stock and other unvested equity related instruments.

#### ***Service Agreement for Mr David Robinson (Chief Financial Officer)***

7.3 The Company has entered into a service agreement with Mr David Robinson under the terms of which Mr Robinson has been appointed as Chief Financial Officer of the Company and an executive director of the Board. His appointment began on 8 December 2011 and his current agreement took effect from 1 July 2012 and will continue unless terminated by the Company or Mr Robinson by giving 12 months' prior written notice or such earlier notice period as agreed between the parties, however such notice may not be given by Mr Robinson or the Company until at least 12 months after the date of Admission.

Under the terms of the agreement, Mr Robinson will be entitled to an annual salary of US\$600,000. However, Mr Robinson has agreed to take:

- (a) his entire salary accrued from the period since 1 July 2012 until Admission (the "Robinson Past Salary"); and
- (b) 100 per cent of his salary accrued for the period of 18 months following Admission, in the form of Ordinary Shares (converted at the Placing Price as at the date of Admission).

Notwithstanding the above, 50 per cent. of the Robinson Past Salary shall be deferred and may be paid in cash (rather than in Ordinary Shares) if, in the opinion of the Board (acting reasonably):

- (a) the first well to be drilled at OPL310 results in a commercial discovery of oil;
- (b) the Company successfully raises additional capital (whether in the form of debt or equity); or
- (c) if the Group acquires an asset where oil has been discovered,

It is intended that any portion of remuneration due to Mr Robinson that is to be paid in shares shall be satisfied by the transfer to Mr Robinson of Ordinary Shares allotted to the EBT. The Board shall direct the EBT to transfer the requisite number of shares to Mr Robinson. In addition, Mr Robinson is entitled to cash bonuses and/or stock options that may be approved by the Board from time to time.

In the event that his employment is terminated for death, disability, without cause or due to resignation with good reason, Mr Robinson shall be entitled to all unvested options, restricted stock and other unvested equity related instruments.

***Service Agreement for Mr Gregory Eckersley (Non-Executive Director)***

7.4 The Company has entered into a letter of appointment with Gregory Eckersley under the terms of which Mr Eckersley has been appointed as a non-executive director of the Board. His appointment started on 16 May 2011 and his current agreement took effect from 1 January 2013 and will continue unless terminated by the Company or Mr Eckersley by giving three months' prior written notice or such earlier notice period as agreed between the parties. Mr Eckersley will be entitled to an annual salary of US\$50,000 which will be payable on a quarterly basis in four equal instalments. Mr Eckersley will also be eligible to participate in the Company's stock incentive programme as approved by the Board. In the event that his engagement by the Company is terminated for any of the reasons set out in paragraph 9.12 of this Part 6, he shall be entitled to exercise any Options in accordance with the provisions summarised therein.

***Service Agreement for Mrs Aisha Muhammed-Oyebode (Non-Executive Director)***

7.5 The Company has entered into a service agreement with Mrs Aisha Muhammed-Oyebode under the terms of which Mrs Muhammed-Oyebode has been appointed as a non-executive director of the Board. The appointment and current agreement took effect from 25 February 2013 and will continue unless terminated by the Company or Mrs Muhammed-Oyebode by giving three months' prior written notice or such earlier notice period as agreed between the parties. Under the terms of the agreement, Mrs Muhammed-Oyebode will receive an annual salary of US\$50,000 which will be payable on a quarterly basis in four equal instalments. Mrs Muhammed-Oyebode is also granted a total of 187,500 Options with an exercise price of US\$0.75 and will also be entitled to participate in the Company's stock incentive programme as approved by the Board. In the event that her engagement by the Company is terminated for any of the reasons set out in paragraph 9.12 of this Part 6, she shall be entitled to exercise any Options in accordance with the provisions summarised therein.

***Service Agreement for Mr Atedo N.A. Peterside (Non-Executive Director)***

7.6 The Company has entered into a service agreement with Mr Atedo N.A. Peterside under the terms of which Mr Peterside has been appointed as a non-executive director of the Board. The appointment and current agreement took effect from 25 February 2013 and will continue unless terminated by the Company or Mr Peterside by giving three months' prior written notice or such earlier notice period as agreed between the parties. Under the terms of the agreement, Mr Peterside will receive an annual salary of US\$100,000 which will be payable on a quarterly basis in four equal instalments. Mr Peterside is also granted a total of 187,500 Options with an exercise price of US\$0.75 and will also be entitled to participate in the Company's stock incentive programme as approved by the Board. In the event that his engagement by the Company is terminated for any of the reasons set out in paragraph 9.12 of this Part 6, he shall be entitled to exercise any Options in accordance with the provisions summarised therein.

***Service Agreement for Mr John Van der Welle (Non-Executive Director)***

7.7 The Company has entered into a service agreement with Mr John van der Welle under the terms of which Mr van der Welle has been appointed as a non-executive director of the Board. The appointment and current agreement took effect from 1 April 2013 and will continue unless terminated by the Company or Mr van der Welle by giving three months' prior written notice or such earlier notice period as agreed between the parties. Under the terms of the agreement, Mr van der

Welle will receive an annual salary of US\$50,000 which will be payable on a quarterly basis in four equal instalments. Mr van der Welle is also granted a total of 187,500 Options with an exercise price of US\$0.75. In the event that his engagement by the Company is terminated for any of the reasons set out in paragraph 9.11 of this Part 6, he shall be entitled to exercise any Options in accordance with the provisions summarised therein.

- 7.8 Save as disclosed in this paragraph 7 of Part 6, there are no service contracts, existing or proposed, between any Director and the Company and no service contract has been entered into or amended by the Company in the six months prior to the date of this document, nor is any Director entitled to any benefit upon termination of their employment.
- 7.9 There are no outstanding loans or guarantees provided by the Company for the benefit of any of the Directors.

## 8. Additional information on the Board

- 8.1 None of the Directors is, nor has been within the five years prior to the publication of this document, a partner in any partnership. The Directors hold or have held the following directorships in companies (other than the Group), wheresoever incorporated, within the five years prior to the date of this document:

<i>Name</i>	<i>Current directorships/ partnerships</i>	<i>Past directorships/ partnerships</i>
Samuel Adegboyega	SOWSCO Well Services Ltd Comprehensive Remediation Technologies Jully & Partners Energia Limited EPIC Atlantic Ltd S.T. Adegboyega & Co.	N/A
Olalekan Akinyanmi	1770 Capital Management Limited 1770 Holdings Limited Tomlex Ventures	N/A
David Robinson	1770 Holdings Limited 1770 Global Energy, Mining & Commodity Fund Macquarie Street Services Pty Limited DGR International Services	N/A
Gregory Eckersley	Chestone Capital LLC Macquarie Street Services Pty Limited Erthtec Limited Crater Lake Limited BigEars Digital Services Limited Company	N/A
Aisha Oyebode	N-Cell Asset Management Group Limited Combined Industrial Agro Consultants Limited Coordinated Nigeria Limited Kiosque Vegetal Limited Harbour Point Limited	Crusader Insurance Plc Amg Petro-Energy Ltd

<i>Name</i>	<i>Current directorships/ partnerships</i>	<i>Past directorships/ partnerships</i>
Atedo Peterside	Cadbury Nigeria Plc Nigerian Breweries Plc Flour Mills of Nigeria Plc Stanbic IBTC Bank Plc Presco Plc Unilever Nigeria Plc ANAP Holdings Limited Stanbic IBTC Pension Managers Limited	N/A
John van der Welle	Northlands Advisory Services Limited Hurricane Energy Plc	Stratic Energy Corporation Stratic Energy (UK) Limited Stratic Energy (North Sea) Limited Stratic Exploration (Syria) Limited Stratic Energy (Developments) Holdings Limited Grove Energy (Romania) Limited Stratic UK Holdings Limited Grove Energy (Southern North Sea) Limited Stratic Energy (Developments) Limited Madagascar Oil Limited First Calgary Petroleum Limited Groundstar Resources Limited

8.2 Save as disclosed in this document, no Director has:

- 8.2.1 any unspent convictions in relation to indictable offences;
- 8.2.2 had a bankruptcy order made against him or entered into an individual voluntary arrangement;
- 8.2.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration or company voluntary arrangement or which entered into any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- 8.2.4 been a partner in any partnership placed into compulsory liquidation, administration or partnership voluntary arrangement where such Director was a partner at the time of or within the 12 months preceding such event;
- 8.2.5 been subject to the receivership of any asset of such Director or of a partnership of which the Director was a partner at the time of or within 12 months preceding such event; or
- 8.2.6 received public criticisms by statutory or regulatory authorities (including designated professional bodies) and no Director has been disqualified from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

8.3 Save as disclosed in this document, no Director has been interested in any transaction with the Company which was unusual in its nature or conditions or significant to the business of the Company during the current financial year which remains outstanding or unperformed.

## **9. Options**

### ***Options granted to the Directors***

- 9.1 On 4 June 2012, the Company entered into a stock option agreement with Lekan pursuant to which Options over 5,480,000 Ordinary Shares are outstanding at an exercise price of US\$0.75, exercisable at any time until 3 December 2020.
- 9.2 On 4 June 2012, the Company entered into a stock option agreement with Samuel Adegboyega pursuant to which Options over 750,000 Ordinary Shares are outstanding at an exercise price of US\$0.75, exercisable at any time until 3 December 2020.
- 9.3 On 4 June 2012, the Company entered into two separate stock option agreements with David Robinson pursuant to which Options over 1,600,000 Ordinary Shares are outstanding at an exercise price of US\$0.75, exercisable at any time until 3 December 2020.
- 9.4 On 4 June 2012, the Company entered into two separate stock option agreements with Gregory Eckersley pursuant to which Options over 1,162,500 Ordinary Shares are outstanding at an exercise price of US\$0.75, exercisable at any time until 3 December 2020.
- 9.5 On 19 February 2013, in Atedo Peterside's letter of appointment, the Company granted Mr Peterside options of which Options over 187,500 Ordinary Shares are outstanding at an exercise price of US\$0.75.
- 9.6 On 19 February 2013, in Aisha Oyebode's letter of appointment, the Company granted Mrs Oyebode options of which Options over 187,500 Ordinary Shares are outstanding at an exercise price of US\$0.75.
- 9.7 On 5 April 2013, in John van der Welle's letter of appointment, the Company granted Mr van der Welle Options of which Options over 187,500 Ordinary Shares are outstanding at an exercise price of US\$0.75.

### ***Other Options***

- 9.8 On 4 June 2012, the Company entered into a stock option agreement with Chief Festus Marinho pursuant to which Options over 787,500 Ordinary Shares are outstanding at an exercise price of \$0.75, exercisable at any time until 3 December 2020.
- 9.9 In addition to the above Options, over the past three years the Company has also granted Options over Ordinary Shares of which 2,720,000 are outstanding, to 13 employees and former employees and seven consultants, which have exercise prices of US\$0.75 and which shall generally be exercised within ten years of their effective date of grant.

(Together, the dates up until which the above Options are exercisable, shall be defined as the "Expiration Dates").

### ***Option terms and conditions***

- 9.10 After the above Options vest, but at any point before their relevant Expiration Dates, the person entitled to exercise an Option (the "Option Holder") may do so. In the event of an initial public offering of the Company's shares, all of the above Options remain in full force and effect.
- 9.11 Options may be exercised by delivering written notice to the Company. Upon receipt of notice and payment, the Company shall deliver the relevant share certificates to the Option Holder, and shall retain the right to require them to reimburse the Company for any outstanding taxes on any share issue or transfer.
- 9.12 An Option shall terminate if the Option Holder ceases to be engaged by the Group (a "Termination"), except where:

- 9.12.1 an Option Holder voluntarily resigns, in which case they may exercise the Option within three months of the date of their resignation;
  - 9.12.2 the Option Holder dies or is permanently disabled, in which case the Option may be exercised within 12 months from the date of death or disability; or
  - 9.12.3 the Option Holder retires, in which case the option may be exercised at any time until the Expiration Date.
- 9.13 Where an Option Holder suffers a Termination for cause, their Option shall be exercisable up to, but not after, the date of Termination.
- 9.14 If, subject to certain exceptions, any person becomes entitled to exercise at least 50 per cent. of the voting rights in the Company (a “Change of Control”), and within three years of such Change of Control, the Option Holder voluntarily leaves, or their engagement is terminated (other than for cause), the Option shall become immediately exercisable within 30 days of such Option Holder’s Termination.
- 9.15 Options cannot be assigned or transferred other than by the Option Holder’s successor-in-title after the Executive’s death. Neither the Options nor the relevant option agreement gives the Option Holder rights to continued engagement with the Company. The Option Holder agrees not to compete with the Company during their engagement, or within 12 months from the date of such engagement. The Options and such option agreements are each governed by English law.

## **10. Employees**

As at 12 May 2013, being the latest practicable date before the date of this document, the Group had 13 employees.

## **11. Memorandum of association**

The memorandum of association of the Company provides that the objects of the Company are unrestricted and the Company will have full power to carry out any object not prohibited by the Cayman Act. The Cayman Act and the Articles do not prohibit the Company from acting as a holding company.

## **12. Articles**

### **12.1 *Share capital***

12.1.1 Subject to the Cayman Act, the Company’s memorandum of association and the Articles and, where applicable, the AIM Rules and/or the rules of any competent regulatory authority, any power of the Company to purchase or otherwise acquire its own shares shall be exercisable by the Board in such manner, upon such terms and subject to such conditions as it thinks fit.

12.1.2 No share shall be issued as a bearer share.

### **12.2 *Alteration of capital***

12.2.1 The Company may from time to time by special resolution in accordance with the Cayman Act alter the conditions of its memorandum of association to:

- (a) increase its capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
- (b) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (c) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions as the Directors may determine, provided always that where the Company issues shares which do

not carry voting rights, the words “non-voting” shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”;

- (d) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum of association, and may by such resolution determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred, deferred or other rights or be subject to any such restrictions as compared with the other or others as the Company has power to attach to unissued or new shares;
- (e) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its capital by the amount of the shares so cancelled or, in the case of shares, without par value, diminish the number of shares into which its capital is divided.

12.2.2 The Board may settle as it considers expedient any difficulty which arises in relation to any consolidation and division and may issue certificates in respect of fractions of shares or arrange for the sale of the shares representing fractions and the distribution of the net proceeds of sale in due proportion amongst the members of the Company (“Members”) who would have been entitled to the fractions, and for this purpose the Board may authorise some person to transfer the shares representing fractions to their purchaser or resolve that such net proceeds be paid to the Company for the Company’s benefit.

12.2.3 The Company may from time to time by special resolution, subject to any confirmation or consent required by the Cayman Act, reduce its share capital or any capital redemption reserve or other undistributable reserve in any manner permitted by law.

12.2.4 Except so far as otherwise provided by the conditions of issue, or by the Articles, any capital raised by the creation of new shares shall be treated as if it formed part of the original capital of the Company, and such shares shall be subject to the provisions contained in the Articles with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien, cancellation, surrender, voting and otherwise.

### 12.3 *Share rights*

12.3.1 Subject to the provisions of the Cayman Act and the Company’s memorandum of association and the Articles and to any special rights conferred on the holders of any shares or class of shares, any share in the Company (whether forming part of the present capital or not) may be issued with or have attached thereto such rights or restrictions as the Company may by ordinary resolution determine or, if there has not been any such determination, as the Board may determine.

12.3.2 Subject to the provisions of the Cayman Act, the AIM Rules and the memorandum of association and Articles, and to any special rights conferred on the holders of any shares or attaching to any class of shares, shares may be issued on the terms that they may be, or at the option of the Company or the holder are, liable to be redeemed on such terms and in such manner, including out of capital, as the Board may deem fit.

12.3.3 Subject to the Cayman Act, any preference shares may be issued or converted into shares that are liable to be redeemed on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution of the Members determine.

### 12.4 *Variation of rights*

12.4.1 Subject to the Cayman Act, all or any of the special rights for the time being attached to the shares or any class of shares may, unless otherwise provided by the terms of issue of the shares of that class, be varied, modified or abrogated either with the consent in writing of the holders of not less than

three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting all the provisions of the Articles relating to general meetings of the Company shall, *mutatis mutandis*, apply, but so that:

- (a) the necessary quorum (other than at an adjourned meeting) shall be two persons (or in the case of a Member being a corporation, its duly authorised representative) and at any adjourned meeting of such holders, two holders present in person (or in the case of a Member being a corporation, its duly authorised representative) or by proxy (whatever the number of shares held by them) shall be a quorum;
- (b) every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him; and
- (c) any holder of shares of the class present in person or by proxy or authorised representative may demand a poll.

12.4.2 The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied, modified or abrogated by the creation or issue of further shares ranking *pari passu* therewith.

## 12.5 *Allotment of shares*

12.5.1 “Relevant Securities” means: (i) shares in the Company; and (ii) any right to subscribe for, or to convert any security into, shares in the Company (other than shares so allotted), and a reference to the allotment of Relevant Securities includes the grant of such a right but, not the allotment of shares pursuant to such a right.

12.5.2 The Board shall not exercise any power of the Company to allot Relevant Securities, unless they are authorised to do so by the Company pursuant to the Articles or in general meeting.

### 12.5.3 *Pursuant to the Articles:*

- (a) authority may be given for a particular exercise of the power or for its exercise generally, and may be unconditional or subject to conditions;
- (b) the authority must state the maximum amount of Relevant Securities that may be allotted under it and the date on which it will expire, which must be not more than five (5) years from the date on which the resolution is passed; and
- (c) the authority may be renewed or further renewed by the Company in general meeting for a further period not exceeding five (5) years but the resolution must state (or restate) the maximum amount of Relevant Securities which may be allotted under the renewed authority or the amount remaining to be allotted under it, and the date on which the renewed authority will expire.

12.5.4 In relation to authority for the grant of such rights to subscribe for, or convert any security into, shares, the maximum amount of Relevant Securities that may be allotted under the authority is to the maximum amount of shares which may be allotted pursuant to the rights.

12.5.5 The Board may allot Relevant Securities, notwithstanding that an authority for the purpose granted pursuant to the Articles has expired, if they are allotted in pursuance of an offer or agreement made by the Company before the authority expired and the authority allowed it to make an offer or agreement which would or might require Relevant Securities to be allotted after the authority expired.

12.5.6 A resolution of the Company to give, vary, revoke or renew such an authority may be an ordinary resolution.

12.5.7 Effective from the date of Admission and without prejudice to any resolution of the Company in general meeting, the Directors shall have the authority to issue and allot before the first annual general meeting of the Company following Admission such number of Relevant Securities as is equivalent to, but not exceeding:

- (a) one-third of the total aggregate nominal value of the Relevant Securities in issue or granted or agreed to be issued or granted as at the date immediately following Admission on a fully diluted basis;
- (b) any Ordinary Shares required to satisfy in full the Company's obligations under the placing of its Ordinary Shares to take place on or around Admission (the "Admission Placing Shares"); and
- (c) any Ordinary Shares required to satisfy in full Company's obligations under the warrants issued by it on or around the date of Admission (the "Warrant Shares").

12.5.8 The Company may in connection with the issue of any shares exercise all powers of paying commission and brokerage conferred or permitted by the Cayman Act.

12.5.9 Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or required in any way to recognise any equitable, contingent, future or partial interest in any share or any fractional part of a share or (except only as otherwise provided by these Articles or by law) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

## 12.6 *Pre-emption rights*

12.6.1 For the purposes of the Articles a reference to the allotment of securities or of securities of a particular class includes the grant of a right to subscribe for, or to convert any securities into, shares in the Company or (as the case may be) shares of a particular class; but such a reference does not include the allotment of any shares pursuant to such a right.

12.6.2 The Company:

- (a) shall not allot securities on any terms to a person unless it has made an offer to each Member holding shares of the same class as such securities, or the same class as such securities convert into, to allot to him on the same or more favourable terms a proportion of those securities which is as nearly as practicable equal to the proportion in nominal value held by him of the aggregate of all issued shares of the relevant class; and
- (b) shall not allot any of those securities to a person unless the period during which any such offer may be accepted has expired or the Company has received notice of the acceptance or refusal of every offer so made.

12.6.3 The provisions set out above do not apply to:

- (a) a particular allotment of securities which are, or are to be, wholly or partly paid up otherwise than in cash;
- (b) shares which are allotted to any member in lieu of dividend or pursuant to any capitalisation issue of the Company;
- (c) the allotment of securities which would, apart from a renunciation or assignment of the right to their allotment, be held under an employees' share scheme or employees' options;
- (d) the Admission Placing Shares and the Warrant Shares; and
- (e) the allotment of securities up to an aggregate number equal to 10 per cent. of the Company's total issued shares at Admission (including any shares issued pursuant to the Placing) during the period expiring 36 months from the date of Admission.

- 12.6.4 The following provisions regulate the manner in which offers are to be made to holders of the Company's shares:
- (a) Subject to the following, an offer shall be in writing and shall be subject to the notice requirements set out in the Articles.
  - (b) Where shares are held by two or more persons jointly, the offer may be made to the joint holder first named in the register of Members (the "Register") in respect of the shares.
  - (c) In the case of a holder's death or bankruptcy, the offer may be made:
    - (i) by sending it by post in a prepaid letter addressed to the persons claiming to be entitled to the shares in consequence of the death or bankruptcy; or
    - (ii) by giving the notice in any manner in which it might have been given if the death or bankruptcy had not occurred.
  - (d) The offer must state a period of not less than twenty-one (21) days during which it may be accepted; and the offer shall not be withdrawn before the end of that period.
- 12.6.5 Where the Board is authorised to allot Relevant Securities it may be given power by a special resolution of the Company to allot securities pursuant to that authority as if the provisions above did not apply to the allotment; or applied to the allotment with such modifications as the Board may determine.
- 12.6.6 The power conferred by the authorisation set out above shall cease to have effect when the authority to which it relates is revoked or would (if not renewed) expire.
- 12.6.7 Notwithstanding that any such power or resolution has expired, the Board may allot securities in pursuance of an offer or agreement previously made by the Company, if the power or resolution enabled the Company to make an offer or agreement which would or might require securities to be allotted after it expired.
- 12.6.8 Subject to the Cayman Act, any of the Articles relating to authority, pre-emption rights or otherwise, any direction that may be given by the Company in general meeting and, where applicable, the AIM Rules and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, the unissued shares of the Company (whether forming part of the original or any increased capital) shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Board may in its absolute discretion determine but so that no shares shall be issued at a discount.
- 12.6.9 The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.
- 12.6.10 Subject to the Cayman Act and the Articles, the Board may at any time after the allotment of shares but before any person has been entered in the Register as the holder, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Board considers fit to impose.
- 12.7 *Share certificates*
- 12.7.1 Every share certificate shall be issued under the Company seal or a facsimile thereof or the hand of duly authorised signatures and shall specify the number and class and distinguishing numbers (if any) of the shares to which it relates, and the amount paid up thereon and may otherwise be in such form as the Directors may from time to time determine. No certificate shall be issued representing shares of more than one class.

- 12.7.2 In the case of a share held jointly by several persons, the Company shall not be bound to issue more than one certificate therefor and delivery of a certificate to one of several joint holders shall be sufficient delivery to all such holders.
- 12.7.3 Share certificates shall be issued within the relevant time limit as prescribed by the Cayman Act or the AIM Rules, whichever is the shorter, after allotment or, except in the case of a transfer which the Company is for the time being entitled to refuse to register and does not register, after lodgment of a transfer with the Company.
- 12.7.4 The Directors have the power to implement and/or approve any arrangements they may, in their absolute discretion, think fit in relation to the evidencing of title and transfer of interests in shares in the capital of the Company in the form of depositary interests or similar interests or securities and, to the extent that such arrangements are so implemented, no provision of these Articles shall apply or have effect to the extent that it is in any respect inconsistent with the holding or transfer thereof or the shares in the capital of the Company represented thereby.
- 12.7.5 Notwithstanding the foregoing, any Placing Shares held in certificated form by a person in the United States or a US Person who (i) acquired such Placing Shares in the Regulation D Placing, (ii) acquired such Placing Shares from a US Person who acquired such Placing Shares in the Regulation D Placing, or (iii) is otherwise connected by an unbroken series of purchasers in the US to a US Person who acquired such Placing Shares in the Regulation D Placing, will bear a legend (as set out at Appendix 1, paragraph 27.8 to this Admission Document) containing notice of transfer restrictions. In addition, in order for such Placing Shares to be eligible for dematerialisation into CREST through Depositary Interests, the holder of the legended share certificate would be required to send the certificate to the Registrar. The Registrar would require a legal opinion from the Company as to the status of the certificate holder and making representations regarding compliance with United States securities laws.

## 12.8 *Lien*

- 12.8.1 The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of that share. The Company shall also have a first and paramount lien on every share (not being a fully paid share) registered in the name of a Member (whether or not jointly with other Members) for all amounts of money presently payable by such Member or his estate to the Company. The Company's lien on a share shall extend to all dividends or other moneys payable thereon or in respect thereof. The Board may at any time, generally or in any particular case, waive any lien that has arisen or declare any share exempt in whole or in part, from these provisions in the Articles.
- 12.8.2 Subject to the Articles, the Company may sell in such manner as the Board determines any share on which the Company has a lien.
- 12.8.3 The net proceeds of the sale shall be received by the Company and applied in or towards payment or discharge of the debt or liability in respect of which the lien exists.

## 12.9 *Calls on shares*

- 12.9.1 Subject to the Articles and to the terms of allotment, the Board may from time to time make calls upon the Members in respect of any moneys unpaid on their shares and each Member shall (subject to being given at least fourteen (14) clear days' notice specifying the time and place of payment) pay to the Company as required by such notice the amount called on his shares.
- 12.9.2 If a call remains unpaid after it has become due and payable the Board may give to the person from whom it is due not less than fourteen (14) clear days' notice:
- (a) requiring payment of the amount unpaid together with any interest which may have accrued and which may still accrue up to the date of actual payment; and

- (b) stating that if the notice is not complied with the shares on which the call was made will be liable to be forfeited.

12.9.3 The provisions of the Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

#### 12.10 *Register of members*

The Company shall keep a register of its Members and shall enter therein the name and address of each Member, the number and class of shares held by him and the amount paid or agreed to be considered as paid on such shares, the date on which each person was entered in the Register and the date on which any person ceased to be a Member.

#### 12.11 *Transfer of shares*

12.11.1 Subject to the Articles, any Member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in a form prescribed by the London Stock Exchange or in any other form approved by the Board. An instrument of transfer need not be under seal.

12.11.2 The instrument of transfer shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up), by or on behalf of the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case which it thinks fit in its discretion to do so. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof. Nothing in the Articles shall preclude the Board from recognising a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person.

12.11.3 The Board may, in its absolute discretion, and without giving any reason therefor, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, unless:

- (a) it is in respect of a share which is fully paid up;
- (b) it is in respect of a share on which the Company has no lien;
- (c) (if applicable) a fee of such maximum sum as prescribed in the AIM Rules to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof;
- (d) it is in respect of only one class of share;
- (e) it is in favour of a single transferee or not more than four transferees;
- (f) the instrument of transfer is lodged at the registered office of the Company (the "Registered Office") or such other place at which the Register is kept in accordance with the Cayman Act (as the case may be) accompanied by the relevant share certificate(s) and such other evidence as the Board 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
- (g) if applicable, the instrument of transfer is duly and properly stamped, provided that such discretion may not be exercised in such a way as to prevent dealings in such shares from taking place on an open and proper basis.

12.11.4 No transfer shall be made to a minor, to a bankrupt or to a person of unsound mind or under other legal disability.

12.11.5 If the Board refuses to register a transfer of any share, it shall, within two (2) months after the date on which the transfer was lodged with the Company, send to each of the transferor and transferee notice of the refusal.

12.11.6 The Board may, subject to the Cayman Act and any other law of the Cayman Islands in force which applies or affects the Company, permit shares of any class to be held in uncertificated form to be transferred without an instrument of transfer by means of a Relevant System (as defined in the CREST Regulations), including CREST.

12.11.7 Where any class of shares is permitted to be transferred by means of a Relevant System, and the Company is entitled under the Cayman Act, the Articles or any applicable regulations to sell, transfer, dispose of, forfeit, re-allot, accept the surrender of or otherwise enforce a lien over a share held in uncertificated form without an instrument of transfer, the Company shall be entitled, subject to the Cayman Act, the Articles, any applicable regulations and the facilities and requirements of the Relevant System:

- (a) to require the holder of that uncertificated share by notice to change that share into certificated form within the period specified in the notice and to hold that share in certificated form so long as required by the Company;
- (b) to require the holder of that uncertificated share by notice to give any instructions necessary to transfer title to that share by means of the Relevant System within the period specified in the notice;
- (c) to require the holder of that uncertificated share by notice to appoint any person to take any step, including without limitation the giving of any instructions by means of the Relevant System, necessary to transfer that share within the period specified in the notice; and
- (d) to take any action that the Board considers appropriate to achieve the sale, transfer, disposal of, forfeiture, re-allotment or surrender of that share or otherwise to enforce a lien in respect of it.

12.11.8 The Board shall, subject always to the Cayman Act, any other applicable laws and regulations and the facilities and requirements of any Relevant System concerned and the Articles, have power to implement and/or approve any arrangements they may, in their absolute discretion, think fit in relation to the evidencing of title to and transfer of interests in shares in the capital of the Company in the form of depositary interests or similar interests, instruments or securities, and to the extent such arrangements are so implemented, no provision of the Articles shall apply or have effect to the extent that it is in any respect inconsistent with the holding or transfer thereof or the shares in the capital of the Company represented thereby. The Directors may from time to time take such actions and do such things as they may, in their absolute discretion, think fit in relation to the operation of any such arrangements.

12.11.9 The registration of transfers of shares or of any class of shares may be suspended at such times and for such period as the Board may from time to time determine.

#### 12.12 *Disclosure of voting rights in shares*

12.12.1 To enable the Company to comply with its disclosure obligations under Rule 17 of the AIM Rules for Companies, the provisions of rule 5 of the Disclosure Rules and Transparency Rules (“DTR 5”) relating to the requirement of a company’s shareholders to disclose their total proportion of voting rights (as defined in DTR 5) are incorporated into the Articles and bind the Company and its shareholders. Notwithstanding the time limits for disclosure set out in DTR 5, the Company is required by Rule 17 of the AIM Rules to announce without delay the information contained in any notification made by a person pursuant to the rules set out in DTR 5. Under DTR 5 a person must notify the Company of the percentage of its voting rights he holds as a shareholder or through his direct or indirect holding of certain financial instruments (or a combination of such holders) if the percentage of those voting rights reaches, exceeds or falls below 3 per cent. and each 1 per cent.

thereafter up to 100 per cent. as a result of an acquisition or disposal of shares or such financial instruments.

12.12.2 The Company may by notice in writing require a person whom the Company knows or has reasonable cause to believe to be or, at any time during three years immediately preceding the date on which the notice is issued, to have been interested in shares comprised in the Company's relevant issued shares:

- (a) to confirm that fact or (as the case may be) to indicate whether or not it is the case; and
- (b) where he holds or has during that time held an interest in shares so comprised, to give such further information as may be required in accordance with the Articles.

12.12.3 A Member who has failed to comply with a notice issued by the Company under the powers described above and who holds shares representing 0.25 per cent. or more in nominal value of the issued shares of any class of capital in the Company, excluding treasury shares, shall not, unless the Board otherwise determines, be entitled:

- (a) in respect of any such shares, to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares, or to exercise any other right conferred by membership in relation to any such meeting; or
- (b) to receive payment of any dividend (individual shares in lieu of dividend) or other distribution payable in respect of any such shares; or
- (c) to transfer any such shares otherwise than:
  - (i) pursuant to acceptance of a take-over offer;
  - (ii) where the Board is satisfied that the transfer is made pursuant to a *bona fide* and arm's length sale of the whole of the beneficial ownership of the shares the subject of the transfer to a party unconnected with the shareholder and with other persons appearing to be interested in such shares; or
  - (iii) through a recognised investment exchange or other recognised market.

### 12.13 *Untraceable members*

12.13.1 The Company may cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions.

12.13.2 The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a Member who is untraceable.

### 12.14 *General meetings*

12.14.1 The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it. Not more than fifteen (15) months shall elapse between the date of one annual general meeting and that of the next. The annual general meeting shall be held at such time and place as the Board may appoint. General meetings may be held in any part of the world as may be determined by the Board.

12.14.2 An extraordinary general meeting shall be convened:

- (a) whenever the Board thinks fit; and
- (b) on receipt by the Company of a requisition by members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid up capital of the Company as at that date carries the right of voting at general meetings of the Company.

12.14.3 The requisition referred to above must state the objects of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If the Board does not within twenty-one (21) days from the date of deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting in the same manner, or nearly as possible, as that in which meetings are convened by the Board, but any meeting so convened shall not be held after the expiration of three (3) months from that date.

12.14.4 The Board is deemed not to have duly convened a meeting if they convene a meeting for a date more than twenty-eight (28) days after the date of the notice convening the meeting.

#### 12.15 *Notice of general meetings*

12.15.1 An annual general meeting shall be called by not less than twenty-one (21) clear days' notice. All other extraordinary general meetings may be called by not less than fourteen (14) clear days' notice but a general meeting may be called by shorter notice, subject to the Cayman Act, if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all the Members entitled to attend and vote thereat; and
- (b) in the case of any other meeting, by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. (95 per cent.) in nominal value of the issued shares giving that right.

12.15.2 The notice shall specify the time and place of the meeting and, in case of special business, the general nature of the business. The notice convening an annual general meeting shall specify the meeting as such. Notice of every general meeting shall be given to all Members other than to such Members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company.

12.15.3 The Company shall, on the requisition in writing of such number of members as is specified in the Articles and (unless the Company otherwise resolves) at the expense of the requisitionists:

- (a) give to members of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and
- (b) circulate to all members entitled to receive notice of any general meeting any written statement of not more than one thousand (1,000) words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

12.15.4 The number of Members necessary for a requisition under the Articles shall be members representing at least ten (10) per cent. of such paid up share capital of the Company as carries voting rights at a general meeting.

#### 12.16 *Proceedings at general meetings*

12.16.1 All business shall be deemed special that is transacted at an extraordinary general meeting, and at an annual general meeting, with the exception of sanctioning dividends, the reading, considering and adoption of the accounts and balance sheet and the reports of the Directors and Auditors, the election of Directors and appointment of Auditors and other officers in the place of those retiring, the fixing of the remuneration of the Auditors and the Directors.

12.16.2 No business other than the appointment of a chairman of a meeting shall be transacted at any general meeting unless a quorum is present at the commencement of the business. Two (2) Members entitled to vote and present in person or by proxy shall form a quorum.

12.16.3 If within thirty (30) minutes after the time appointed for the meeting a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place or to such time and place as the Board may determine. If at such adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting, the meeting shall be dissolved.

#### 12.17 *Voting*

12.17.1 Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands every Member present in person (or being a corporation, present by a duly authorised representative), or by proxy shall have one vote and on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative, shall have one vote for every fully paid share of which he is the holder. A resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded.

12.17.2 Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the facts without proof of the number or proportion of the votes recorded for or against the resolution.

12.17.3 If a poll is duly demanded the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

12.17.4 A poll demanded on the election of a chairman, or on a question of adjournment, shall be taken forthwith.

12.17.5 The demand for a poll shall not prevent the continuance of a meeting or the transaction of any business other than the question on which the poll has been demanded.

12.17.6 All questions submitted to a meeting shall be decided by a simple majority of votes except where a greater majority is required by the Articles or by the Cayman Act.

12.17.7 Where there are joint holders of any share any one of such joint holder may vote.

#### 12.18 *Proxies*

12.18.1 Any Member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him.

#### 12.19 *Corporations acting by representatives*

12.19.1 Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any meeting of any class of Members.

#### 12.20 *Board of directors*

12.20.1 Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two (2). There shall be no maximum number of Directors.

12.20.2 The Company may by ordinary resolution elect any person to be a Director.

12.20.3 The Directors shall have the power from time to time and at any time to appoint any person as a Director.

12.20.4 The Company may from time to time in general meeting by ordinary resolution increase or reduce the number of Directors but so that the number of Directors shall never be less than two (2).

12.21 ***Alternate directors***

12.21.1 Any Director may at any time appoint any person to be his alternate Director.

12.21.2 Every person acting as an alternate Director shall have one vote for each Director for whom he acts as alternate (in addition to his own vote if he is also a Director).

12.21.3 An alternate Director shall *ipso facto* cease to be an alternate Director if his appointor ceases for any reason to be a Director.

12.22 ***Directors' fees and expenses***

Directors shall be paid out of the funds of the Company for their services subject to such limit (if any) as the Company by ordinary resolution may determine.

12.23 ***Directors' interests***

12.23.1 Subject to the Cayman Act and the AIM Rules, a Director may:

- (a) hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of Director for such period and upon such terms as the Board may determine;
- (b) act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm may be remunerated for professional services as if he were not a Director; and
- (c) continue to be or become a Director, Chief Executive Director, Managing Director, Joint Chief Executive Director, Joint Managing Director, Deputy Chief Executive Director, Deputy Managing Director, Executive Director, manager or other officer or member of any other company promoted by the Company or in which the Company may be interested as a vendor, shareholder or otherwise.

12.23.2 Save as provided in the Articles, a Director shall not vote in respect of any contract, arrangement, transaction or any other proposal whatsoever in which he has an interest which (together with any interest of any person connected with him) is a material interest.

12.24 ***General powers of the directors***

The business of the Company shall be managed and conducted by the Board. The general powers given by the Article shall not be limited or restricted by any special authority or power given to the Board by any other Article.

12.25 ***Borrowing powers***

The Board may exercise all the powers of the Company to raise or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Cayman Act and the AIM Rules, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

12.26 ***Proceedings of the directors***

12.26.1 The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate.

12.26.2 The quorum necessary for the transaction of the business of the Board may be fixed by the Board and, unless so fixed at any other number, shall be two (2).

### 12.27 *Register of directors and officers*

12.27.1 The Company shall cause to be kept in accordance with the Cayman Act a Register of Directors and Officers in which there shall be entered the full names and addresses of the Directors and Officers and such other particulars as required by the Cayman Act or as the Directors may determine.

12.27.2 The Company shall send to the Registrar of Companies in the Cayman Islands a copy of such register, and shall from time to time notify to the said Registrar of any change that takes place in relation to such Directors and Officers as required by the Cayman Act.

### 12.28 *Minutes*

12.28.1 The Board shall cause minutes to be duly entered in books provided for the purpose:

- (a) of all elections and appointments of officers;
- (b) of the names of the Directors present at each meeting of the Directors and of any committee of the Directors;
- (c) of all resolutions and proceedings of each general meeting of the Members, meetings of the Board and meetings of committees of the Board and where there are managers, of all proceedings of meetings of the managers.

12.28.2 Minutes shall be kept by the Secretary (if appointed) or a Director at such location as determined by the Board.

### 12.29 *Dividends and other payments*

12.29.1 Subject to the Cayman Act, the Board may from time to time declare dividends in any currency to be paid to the Members but no dividend shall be declared in excess of the amount recommended by the Board.

12.29.2 Dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed.

12.29.3 The Board may deduct from any dividend or other moneys payable to a Member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

12.29.4 No dividend or other moneys payable by the Company on or in respect of any share shall bear interest against the Company.

12.29.5 All dividends or bonuses unclaimed for one (1) year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend or bonuses unclaimed after a period of six (6) years from the date of declaration shall be forfeited and shall revert to the Company. The payment by the Board of any unclaimed dividend or other sums payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof.

### 12.30 *Reserves*

12.30.1 The Board shall establish an account to be called the share premium account and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium paid on the issue of any share in the Company. Unless otherwise provided by the provisions of the Articles, the Board may apply the share premium account in any manner permitted by the Cayman Act.

12.30.2 Before recommending any dividend, the Board may set aside out of the profits of the Company such sums as it determines as reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute.

### 12.31 **Capitalisation**

The Company may, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to capitalise all or any part of any amount standing to the credit of any reserve or fund.

### 12.32 **Winding up**

12.32.1 The Board shall have power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up.

12.32.2 Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such Members in proportion to the amount paid up on the shares held by them respectively, and (ii) if the Company shall be wound up and the assets available for distribution amongst the Members as such shall be insufficient to repay the whole of the paid-up capital such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

12.32.3 If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Act, divide among the Members *in specie* or kind the whole or any part of the assets of the Company. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of the Members as the liquidator with the like authority shall think fit.

### 12.33 **Indemnity**

12.33.1 Subject to the AIM Rules, the Directors, secretary and other officers and every auditor for the time being of the Company and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of the Company and every one of them, and every one of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

12.33.2 Each Member agrees to waive any claim or right of action he might have, whether individually or by or in the right of the Company, against any Director on account of any action taken by such Director, or the failure of such Director to take any action in the performance of his duties with or for the Company; PROVIDED THAT such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director.

### 12.34 **Amendment to memorandum and articles and company name**

No Article shall be rescinded, altered or amended and no new Article shall be made until the same has been approved by a special resolution of the Members. A special resolution shall be required to alter the provisions of the memorandum of association or to change the name of the Company.

### 12.35 **Mandatory offer (takeovers)**

12.35.1 When (other than solely as custodian or depositary (or nominee thereof) under any arrangements implemented and/or approved by the Directors):

- (a) any person, whether by a series of transactions over a period of time or not, whether by himself, or with persons determined by the Board to be acting in concert with him, acquire shares which, taken together with shares held or acquired by persons determined by the

Board to be acting in concert with him, carry thirty (30) per cent. or more of the voting rights attributable to Ordinary Shares; or

- (b) any person who, together with persons determined by the Board to be acting in concert with him, holds not less than thirty (30) per cent., but not more than fifty (50) per cent. of the voting rights attributable to Ordinary Shares of the Company, acquires, whether by himself or with persons determined by the Board to be acting in concert with him, additional shares which, taken together with shares held by persons determined by the Board to be acting in concert with him, increases the percentage of shares carrying voting rights in which he is interested; such person shall extend an offer to the holders of any other class of transferable securities carrying voting rights in accordance with Rule 9 of the Takeover Code (“Rule 9”), as if it so applied. Offers for different classes of equity securities must be comparable.

12.35.2 If at any time the Board has reason to believe that any person or persons has incurred an obligation to extend an offer in accordance with the above provisions but has failed so to make such an offer, the Board may take various steps including requiring such person(s) to dispose of any shares acquired in breach of the above provisions. The Board has full authority to determine the application of such provisions including as to the deemed application of Rule 9. Such authority shall include all discretion vested in the UK Takeover Panel as if Rule 9 applied including, without limitation, the determination of conditions and consents, the consideration to be offered and any restrictions on the exercise of control.

12.35.3 Any one (1) or more of the Directors may act as the attorney(s) of any Member in relation to the execution of documents and other actions to be taken for the sale of excess shares determined by the Board.

#### 12.36 *Compulsory purchase (squeeze out)*

12.36.1 If a person (the “Offeror”) makes an offer (including any offer made pursuant to Articles 265 to 270) to acquire all the shares of the Company (other than shares which at the date of the offer are already held by the Offeror (or persons acting in concert with him)) being an offer on terms which are the same in relation to all the shares to which the offer relates and, as a result of making that offer, the Offeror has by virtue of acceptances of the offer acquired or contracted to acquire not less than nine-tenths in value of the shares to which the offer relates, the Offeror may by written notice to the Company require the Company as agent for the Offeror to serve notices (each a “Compulsory Purchase Notice”) on the holders of shares to which the offer relates who have not accepted such offer (the “Minority Members”) requiring them to sell such shares at the same price per share offered to any person identified by the Offeror. The Company shall serve the Compulsory Purchase Notices forthwith and for twenty-eight (28) days from the service of the Compulsory Purchase Notices the Minority Members shall not be entitled to transfer their shares to anyone except the Offeror (or any other person identified by the Offeror).

12.36.2 The Offeror shall complete the purchase of all shares in respect of which a Compulsory Purchase Notice has been given at the same time and no later than twenty-one (21) days from the date of the serving of such Compulsory Purchase Notices. The Directors shall not register any transfer to the Offeror and the Offeror shall not be entitled to exercise or direct the exercise of any rights in respect of any shares to be transferred to the Offeror until in each case the Offeror has fulfilled all his obligations.

12.36.3 If in any case a Minority Member, on the expiration of twenty-eight (28) days from the service of the Compulsory Purchase Notice, shall not have transferred his shares to the person identified by the Offeror, the Directors may authorise some person to execute and deliver on his behalf any necessary transfer in favour of the Offeror or the person identified by the Offeror and provided the Company has received the purchase money in respect of such shares, the Directors shall thereupon (subject to the transfer being duly stamped) cause the name of the Offeror (or the person identified by the Offeror) to be entered into the Register of Members as the holder of the relevant shares.

12.36.4 The Company shall hold the purchase money in trust for the Minority Member but shall not be bound to earn or pay interest thereon. The receipt by the Company of the purchase money shall be a good receipt for the price for the relevant shares but the Offeror shall not be discharged from procuring that the Company applies the money in payment to the Minority Member which shall be made against delivery by the Minority Member of the certificate in respect of the relevant shares or an indemnity in respect of the same. After the name of the Offeror (or the person identified by the Offeror) has been entered in the Register in purported exercise of any aforesaid powers the validity of the proceedings shall not be questioned by any person.

### **13. Material contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been, or will be, entered into by the Group and are, will or may be, material:

#### **13.1 Agreements relating to OPL310**

##### **(a) Farm-Out Agreement**

On 1 February 2013, Mayfair entered into the Farm-Out Agreement with Afren relating to part of Afren's interest in OPL310. The Farm-Out Agreement provides for Afren to transfer a 17.14 per cent. Participating Interest in OPL310, subject to satisfaction of a number of conditions, including Ministerial Consent.

In addition to transferring a part of Afren's Participating Interest in OPL310, the Farm-Out Agreement also seeks to transfer an ultimate 30 per cent. Economic Interest in OPL310 to Mayfair. Mayfair's right to a Participating Interest and an Economic Interest in OPL310 is conditional upon it meeting the Funds Condition (the date on which the Funds Condition is met being referred to as the "Economic Date"). The Funds Condition is capable of waiver by Afren. From the Economic Date Mayfair shall hold an Economic Interest in OPL310 (regardless of whether it has also received Ministerial Consent to the transfer of a Participating Interest in OPL310).

Afren and Mayfair have agreed that they shall execute additional agreements with Optimum to give effect to the provisions of the Farm Out Agreement, (the "Amended and Restated Agreements") including:

- (i) an amendment and restatement of the Joint Operating Agreement between Optimum and Afren dated 19 December 2008;
- (ii) an amendment and restatement of the Participation Agreement between Optimum and Afren;
- (iii) an amendment and restatement of the Production and Revenue Sharing Agreement; and
- (iv) an amendment and restatement of the Technical Assistance Agreement.

In addition, Afren and Mayfair will execute a deed of assignment in the form in Schedule 2 of the Farm Out Agreement under which Afren will assign the 17.14 per cent. Participating Interest to Mayfair (the "Deed of Assignment").

Should Ministerial Consent not be given within nine months of the Economic Date Afren and Mayfair have agreed that they shall execute any additional agreement that may be necessary to reflect the intention of the parties under the Farm Out Agreement, including the RFSA. The principal terms of the RFSA are set out in a term sheet as a schedule to the Farm Out Agreement.

Where Ministerial Consent is not received, any consideration paid by Mayfair to Afren will not be refunded and Mayfair will have only an ultimate 30 per cent. Economic Interest pursuant to the RFSA.

Mayfair is to acquire its ultimate 30 per cent. Economic Interest and share of costs associated with OPL310 as follows:

- (i) in respect of costs associated with the first exploration well to be drilled at OPL310 (made up of Afren's past costs and costs incurred from the Economic Date to the date of production), the costs shall be divided as follows:

<i>Name</i>	<i>Capex Paying Interest</i>	<i>Opex Paying Interest</i>
Optimum	00.00%	00.00%
Afren	00.00%	57.14%
Mayfair	100.00%	42.86%

- (ii) in respect of all costs incurred from the Economic Date to the date of production other than those costs referred to in paragraph (i) above, the costs shall be divided as follows:

<i>Name</i>	<i>Capex Paying Interest</i>	<i>Opex Paying Interest</i>
Optimum	00.00%	00.00%
Afren	57.14%	57.14%
Mayfair	42.86%	42.86%

The costs for which Mayfair is liable under paragraphs (i) and (ii) above are subject to a cap of US\$50 million (the "Maximum Well Costs Amount");

- (iii) in respect of costs incurred from the Economic Date until the date of production, the cost, (above the Maximum Well Cost Amount) shall be divided as follows:

<i>Name</i>	<i>Capex Paying Interest</i>	<i>Opex Paying Interest</i>
Optimum	00.00%	00.00%
Afren	57.14%	57.14%
Mayfair	42.86%	42.86%

- (iv) from the date production commences to the date Afren have recovered their costs, the Economic Interest of each party shall be as follows:

<i>Name</i>	<i>Capex Paying Interest</i>	<i>Opex Paying Interest</i>	<i>Share of Net Available Production</i>
Optimum	00.00%	09.00%	09.00%
Afren	57.14%	52.00%	X%
Mayfair	42.86%	39.00%	Y%

X% = the percentage of the amounts constituting the carried recovery amount paid by Afren multiplied by 91 per cent.; and

Y% = the percentage of the amounts constituting the carried recovery amount paid by Mayfair multiplied by 91 per cent.

- (v) with effect from the date that Afren recovers its costs until the date that Optimum recovers its costs the Economic Interest of each party shall be as follows:

<i>Name</i>	<i>Capex Paying Interest</i>	<i>Opex Paying Interest</i>	<i>Share of Net Available Production</i>
Optimum	30.00%	79.00%	79.00%
Afren	40.00%	12.00%	12.00%
Mayfair	30.00%	9.00%	9.00%

- (vi) with effect from the date that Optimum recovers its costs the Economic Interest of each party shall be as follows:

<i>Name</i>	<i>Capex Paying Interest</i>	<i>Opex Paying Interest</i>	<i>Share of Net Available Production</i>
Optimum	30.00%	30.00%	30.00%
Afren	40.00%	40.00%	40.00%
Mayfair	30.00%	30.00%	30.00%

Mayfair shall not be liable to pay the amounts stated above unless the following consents are given:

- (a) the consent of Optimum; and
- (b) the consent of the Operating Committee under the Joint Operating Agreement to the first exploration well.

These consents have been obtained.

If Mayfair fails to pay any of the costs it is obliged to pay under the Farm-Out Agreement, Afren shall have the right to terminate the Farm-Out Agreement, in which case Mayfair shall be obliged to reassign the Economic Interest and, if received, any Participating Interest to Afren.

The parties are obliged to seek to negotiate with Optimum the Amended and Restated Agreements. The parties are to use reasonable endeavours to ensure that Optimum has executed the Amended and Restated Agreements before the Economic Date or the date of spudding of the first exploration well.

In the period between the date of the Farm-Out Agreement and Farm-Out Completion, Afren has provided a number of covenants and undertakings relating to its conduct and information. In addition, both Afren and Mayfair have given customary warranties in the Farm-Out Agreement relating to, in Afren's case, its interest in OPL310, the validity of the OPL310 licence and the enforceability of the existing OPL310 JOA; and in Mayfair's case, power, title and capacity. The liability of both parties under the warranties is limited.

Afren has agreed to be liable for any costs, charges, expenses and liabilities in relation to its Participating Interest which arise before the Economic Date and Mayfair agrees to assume liability for these obligations as they arise after the Economic Date. These obligations include decommissioning and environmental liabilities.

The draft Deed of Amendment and Restatement between Optimum, Afren and Mayfair (the "Deed of Amendment and Restatement") will amend the Existing Agreements. The Deed of Amendment and Restatement states that from the date of completion of the Amended and Restated Agreements, the Existing Agreements will all be amended and restated in the form attached to the Deed of Amendment and Restatement and Mayfair will become a party to the Amended and Restated Agreements.

(b) *Escrow Agreement*

Under the Escrow Agreement, Mayfair will, no later than two business days following Admission and receipt by the Company of the requisite settlement funds, instruct Mirabaud to deposit into the Escrow Account the sum of US\$35 million.

JPM will, on the written joint instruction of Afren and Mayfair, release some or all of the proceeds in the Escrow Account to Afren in order to satisfy certain of Mayfair's obligations in respect of farm-in costs and other costs under the Farm Out Agreement and JOA.

Any interest which arises on the sums in the Escrow Account shall be for the account of Mayfair and JPM shall release such interest to Mayfair upon receipt of a unilateral written request from Mayfair to do so.

JPM's fees for this arrangement comprise an acceptance fee of US\$5,000 (payable on execution of the Escrow Agreement) and an annual US\$10,000 administration fee. The Escrow Agreement includes certain customary limitations on JPM's liability as escrow agent.

The Escrow Agreement is governed by English law.

(c) *The OPL310 Deed*

The OPL310 deed, dated 27 July 1993, issued by the Nigerian Government, granted Optimum a 100 per cent. participating interest in OPL310, for a term of five years, in accordance with Paragraph 6 of the First Schedule to the Nigerian Petroleum Act, commencing on 3 February 1992 with the right to explore and prospect for petroleum (the "OPL310 Deed").

The OPL310 Deed is a very short document confirming the grant of an OPL to a licensee and stating that the OPL is granted subject to Nigerian petroleum laws and regulations. The OPL310 Deed refers to special conditions attached in an annexure. No annexure was ever attached to the OPL310 Deed and so there were no special terms and conditions issued by the Nigerian Minister in connection with OPL310. This is common practice in Nigeria. The initial term of OPL 310 expired in 1997 and there was a lag between the expiration of this term and revalidation of the term in 2009.

On 10 June 2008, the Nigerian Government approved the re-allocation of OPL310 to Optimum for a period of ten years subject to certain signature bonus payments. By virtue of a letter (ref: PL.LM/3900/S.54/T/240), dated 19 February 2009, the Department of Petroleum Resources, acting on behalf of the Minister confirmed that the re-allocation of OPL310 to Optimum was re-validated, with effect from 11 February 2009. Therefore, in the absence of an earlier revocation by the Nigerian Government or surrender by the holder(s), the OPL310 Deed will remain valid until 10 February 2019.

The outstanding payments due as a result of the re-allocation of OPL310 are US\$10 million to be paid upon the issuance of a derivative OML and US\$10 million to be paid at the production date.

Mayfair will become a party to the OPL310 Deed via the Deed of Assignment and become jointly and severally liable for all obligations to the Nigerian Government thereunder. However, Afren and Mayfair have agreed certain cost sharing arrangements between themselves which will be implemented via the draft Amended and Restated PRSA.

(d) *Draft Amended and Restated PRSA*

The draft production and revenue sharing agreement to be entered into between Optimum, Afren and Mayfair (the "Amended and Restated PRSA") sets out the proposed arrangement between the parties in relation to the allocation of production costs and revenues from the production of petroleum owed.

The draft Amended and Restated PRSA sets out the cost bearing participations and the sharing of net available production which are the same as those specified in the Farm Out Agreement.

(e) *Draft Amended and Restated TAA*

The draft Technical Assistance Agreement to be entered into between Optimum, Afren and Mayfair (the "Amended and Restated TAA") sets out the proposed arrangement between the parties in relation to the appointment of Afren as the technical adviser to the operator, Optimum.

The Amended and Restated TAA will terminate if the technical adviser, Afren, divests all of its rights, title and interests in OPL310 or Afren resigns or is removed as technical adviser (where there is no assignee or successor appointed). Any transfer of all or part of the technical adviser's interest under the Amended and Restated TAA shall only be effective if the transferee has the required

technical and financial competence. Any transferee must also satisfy the terms in Article 13 of the JOA and be approved by the Nigerian Government and the other parties, Optimum and Mayfair.

(f) *OPL310 JOA*

The OPL310 JOA is an industry standard joint operating agreement based on the Association of International Petroleum Negotiators' ("AIPN") model form joint operating agreement (2002 version) (the "AIPN JOA"). The AIPN JOA provides the benchmark for oil and gas joint venture arrangements internationally. As the OPL310 JOA is based on the AIPN JOA, the obligations of the parties, the liabilities and default provisions are in line with the standard provisions of a typical joint venture arrangement in relation to upstream oil and gas assets, with the exception of three points. First, an operator and a technical advisor are appointed under the OPL310 JOA to carry out the obligations; normally under the AIPN JOA, a single operator is appointed to carry out the obligations under the joint operating agreement. Under the OPL310 JOA, the technical advisor takes on the standard role of the operator.

Second, the OPL310 JOA contains prescriptive provisions in relation to the development and production of any discovered hydrocarbons. It is unusual to contain such detailed provisions in a joint operating agreement as these provisions are usually dealt with in the underlying contract or licence. It is the Directors understanding that OPL310 does not contain any information in relation to the development and production of hydrocarbons, which is why it is dealt with under the OPL310 JOA. Third, the *force majeure* provision includes an exhaustive list of *force majeure* events, including governmental delay for failure to provide consents or permits required in order for the parties to perform their obligations under the OPL310 JOA. Under the AIPN JOA, a wide definition of a *force majeure* event is used, being any event beyond the reasonable control of the affected party.

It is the intention that Mayfair will become a party to the OPL310 JOA subject to Ministerial Consent via an amended and restated JOA.

(g) *Draft Amended and Restated Participation Agreement*

The draft Amended and Restated Participation Agreement between Optimum, Afren and Mayfair (the "Amended and Restated Participation Agreement") sets out that Optimum will have a 60 per cent. Participating Interest in OPL310, Afren will have a 22.86 per cent. Participating Interest and Mayfair will have a 17.14 per cent. Participating Interest.

Mayfair agrees to be liable for 42.86 per cent. of the following amounts (with the remainder payable by Afren):

- (i) US\$10 million following the issue of an OML in respect of OPL310;
- (ii) US\$4 million on the production of petroleum; and
- (iii) (subject to an independent third party having certified that there are at least 100 mmboe of recoverable reserves in OPL310) US\$8 million following cumulative production of petroleum from OPL310 reaching 50 mmboe.

Despite the above, if:

- (a) the first well drilled on block 310 after 8 September 2008 results in the discovery of petroleum; and
- (b) an independent third party certifies that the discovery will produce at least 10 kboe per day,

the amounts payable will be:

- (aa) US\$5 million following receipt of such certificate; and
- (bb) the US\$10 million amount (referred to in (i) above) shall be reduced to US\$9 million.

After the execution of the Amended and Restated Participation Agreement, Mayfair assumes (to the extent of its Participating Interest) all risk and liability of any nature connected with the ownership

of its participating interest after the date of execution, and must indemnify Optimum and Afren from all loss, liability, damage, claim or cost associated with such ownership or arising out of any action, omission, event or circumstance.

### 13.2 *Agreement relating to OPL241*

On 17 October 2011, Lekoil Nigeria signed the Prepayment Agreement relating to a proposed acquisition by Lekoil Nigeria of an interest in another Nigerian field, OPL241 from Oilworld. It was proposed that Lekoil Nigeria acquire a 10 per cent. Participating Interest in OPL241 subject to the negotiation of a commercial transaction and suitable documentation being agreed and certain payments being made by Lekoil Nigeria to Oilworld.

Lekoil Nigeria paid a deposit of US\$1 million on the understanding that this would be held by Oilworld as a deposit and applied by Oilworld towards any subsequent acquisition by Lekoil Nigeria of a 1 per cent. Participating Interest in OPL241. Although the OPL241 acquisition has not completed, Oilworld is still holding the sum of US\$1 million as a deposit on the above basis.

The Prepayment Agreement also states that, if the OPL241 acquisition does not complete, Lekoil Nigeria would have a right of first refusal over the 10 per cent. Participating Interest in OPL241 held by Oilworld (including the 1 per cent. interest to which the US\$1 million deposit above refers), although the Prepayment Agreement does not specify the terms on which that right of first refusal would be exercised.

### 13.3 *Agreements relating to Blocks 2514 A & B, Namibia*

#### (a) *Memorandum of Agreement between Hallie and Lekoil Namibia (the "MOA")*

On 6 March 2012 Lekoil Namibia entered into the MOA by which Lekoil Namibia effectively acquired the right to become a co-licensee with Hallie in respect of Blocks 2514 A & B from Hallie. The MOA is drafted to provide for Lekoil Namibia to acquire a 77.5 per cent. Participating Interest from Hallie and farming-in to a licence solely granted to Hallie. The MOA does not cover the actual arrangement between the licensees following the grant of the licence to Hallie, NAMCOR and Lekoil Namibia, but the MOA is still being used to regulate Hallie's carried interest and Lekoil Namibia's payment obligations. The MOA provides that Lekoil Namibia would have a 77.5 per cent. Participating Interest and Hallie retain a 12.5 per cent. Participating Interest in these blocks. Pursuant to the MOA, Lekoil Namibia agreed to pay Hallie US\$2,750,000 in three instalments:

- (i) the first instalment of US\$250,000 within five days of the MOA (US\$70,000 of this was paid to Hallie and, with Hallie's agreement, the balance of US\$180,000 was paid to the Namibian Government to fund Hallie's historic outstanding financial contribution requirement);
- (ii) the sum of US\$200,000 for every 10,000,000 barrels of proven oil reserves discovered at the blocks payable upon confirmation of such commercial oil reserves as verified by the production of an independent CPR, up to a limit of US\$1 million; and
- (iii) upon commencement of production, a royalty of US\$2 per barrel up to a maximum of US\$1.5 million.

Pursuant to the MOA Lekoil Namibia is also obliged to carry out the minimum exploration expenditure obligation of Hallie of US\$250,000 and to pay Hallie's portion of the annual surface area rental fees in connection with Blocks 2514 A & B. Lekoil Namibia is entitled to recover the carried costs from Hallie's share of after-tax petroleum revenue. Following cost recovery, the financial obligations are shared pro rata to the parties' Participating Interests unless Hallie cannot meet its funding obligations.

#### (b) *Draft carry and cost recovery agreement (the "CCRA")*

The current draft of the CCRA, which is currently under negotiation and subject to change, will provide that Lekoil Namibia will be responsible for NAMCOR's obligations (in addition to Lekoil

Namibia's own obligations) in respect of a minimum exploration expenditure of US\$200,000 to be spent during the initial four year term of the exploration licence. The costs paid by Lekoil Namibia to NAMCOR under the CCRA are to be treated as a loan and are repayable by NAMCOR from NAMCOR's share of the proceeds of oil production revenues. The CCRA provides that any further financial contributions that may be required beyond the minimum exploration expenditure shall be funded by each party to the exploration licence pro rata to their participation interests. If NAMCOR is unable to meet its funding obligations, Lekoil Namibia will assume responsibility for such funding obligations and shall be entitled to repayment of such amounts from NAMCOR as loan repayments.

(c) *Side letter with Tate*

Lekoil Namibia has signed a side letter with Tate dated 14 November 2011 (the "Side Letter"). The Side Letter sets out how the economic interests (distributions and dividends) are payable to Lekoil Namibia's shareholders in the proportions 10 per cent. to Tate and 90 per cent. to the Company.

(d) *2514 Petroleum Agreement*

On 30 April 2012 Lekoil Namibia entered into the 2514 Petroleum Agreement with the Namibian Government, Hallie and NAMCOR to regulate their relationship in respect of the exploration licence for Blocks 2514 A & B. The 2514 Petroleum Agreement is based on the model form petroleum agreement issued by the Namibian Government and states the rights and obligations of the licence holders, operators and the Namibian Government in respect of the exploration activities to be carried out under PEL 0059. Under the 2514 Petroleum Agreement, the licensees commit to spending US\$2 million in the initial term (the first four years from the start date of the licence), US\$20 million in the two years following the initial period and US\$50 million in the two years following subject to renewal of the licence. The 2514 Petroleum Agreement requires the licensees to provide a bank guarantee, guaranteeing payment of ten per cent. of the minimum expenditure obligations in the initial period and an unconditional performance guarantee guaranteeing the minimum work obligations. Lekoil Namibia has obtained the bank guarantee on behalf of all three licensees.

Under the current draft of the CCRA, the costs paid by Lekoil Namibia on behalf of NAMCOR are to be treated as a loan with interest accruing on the amounts at a rate of LIBOR plus 10 per cent. and are repayable by NAMCOR from ninety per cent. of the after-tax proceeds of oil production revenues. Lekoil Namibia is entitled to recover Hallie's carry from ninety per cent. of the after-tax proceeds of oil production revenues (without interest). Under both the draft CCRA and the MOA, the remaining proceeds of oil production revenues are split pro rata between the licensees according to their Participating Interests. Following complete recovery of costs, the after-tax proceeds of oil production will be shared between the licensees pro rata according to their Participating Interest, subject to NAMCOR or Hallie being unable to meet additional funding obligations, in which case Lekoil Namibia will carry their share. The 2514 Petroleum Agreement requires payment of a 5 per cent. royalty to the Namibian Government.

The licensees are also obliged to fulfil minimum work obligations, which include undertaking desktop studies, purchasing data, acquisition of seismic data and if the licence is renewed, the drilling of at least one well. In the MOA, Lekoil Namibia has agreed to conduct Hallie's share of the minimum work obligations. The licensees must submit a work programme for the second year of the licence term by 26 April 2016.

Pursuant to the 2514 Petroleum Agreement, the licensees must, pro rated in accordance with their interests, pay surface area rental fees on the date of issue of the licence and thereafter annually and spend a minimum of US\$45,000 annually on training and education for Namibians, of which US\$31,500 must be paid each year into the petroleum training and education fund. Under the MOA, Lekoil Nigeria has agreed to carry Hallie's share of these costs and has paid NAMCOR's share of the first payment of these costs without an agreement with NAMCOR in place. In order to obtain a production licence, the licensees must provide a new bank guarantee in the form set out in the 2514 Petroleum Agreement and not be in default of any of the conditions of the 2514 Petroleum Agreement and the 2514 Petroleum Agreement will apply to that licence. If oil production

commences, the Namibian Minister can require the licensees to sell the oil into the domestic market priced at fair international market value. If associated gas is discovered, the Namibian Minister is entitled to take and utilise any associated gas in excess of the gas used in petroleum operations without compensating the licencees.

The Namibian Minister may cancel the exploration licence if Lekoil Namibia or its co-licensees breach the terms of the 2514 Petroleum Agreement. The 2514 Petroleum Agreement requires the licensees to maintain insurance for losses specified in the 2514 Petroleum Agreement and indemnify the Namibian Government in respect of any claim that may be brought or made against the Namibian Government. The licensees are jointly liable to the government under the 2514 Petroleum Agreement. The 2514 Petroleum Agreement will terminate if all the licensees cease to hold the exploration licence or fail to obtain a subsequent production licence. In certain circumstances, the Namibian Minister may terminate the 2514 Petroleum Agreement. The licensees must obtain prior approval of the Minister to assign the 2514 Petroleum Agreement to a party who is not a licensee. The 2514 Petroleum Agreement permits the licensees to assign the agreement to an affiliate, except where the licensee would be released from their obligations as a result of the assignment.

#### 13.4 *Members' documents*

##### (a) *Shareholders Agreement*

The shareholders of Lekoil Nigeria: the Company (the sole holder of B Shares); Lekan; Samuel Adegboyega (as directors' trustee); Gloria Iroegbunam (as employees' trustee) (each of whom hold A Shares); and Lekoil Nigeria, entered into the Shareholders Agreement on 13 May 2013 relating to the governance of Lekoil Nigeria.

The Shareholders Agreement limits the scope of Lekoil Nigeria's business to the operation of, or investment in, oil and gas assets and interests within Nigeria or other jurisdictions approved by Lekoil Nigeria's shareholders.

The Shareholders Agreement provides that the Company may (although is not obliged to) settle certain obligations of Lekoil Nigeria on Lekoil Nigeria's behalf as 'reimbursable costs' ("Reimbursable Costs"). Such Reimbursable Costs are to be recoverable with interest at a rate of 8 per cent. above LIBOR, and the repayment terms to be agreed. In addition to Reimbursable Costs, the Shareholders Agreement provides that Lekoil Nigeria can request additional funds (expressed as non mandatory capital calls on the shareholders) from its shareholders, and which may be paid in the form of loans, and which should be recoverable with interest on arm's length terms which reflect market standards and set out in appropriate loan documentation. The Shareholders Agreement provides that such loan funding may be secured or unsecured. If Lekoil Nigeria requires additional funds beyond the capital contributions from its shareholders, the directors may seek third party funding including bank loans.

Lekoil Nigeria may, as a shareholder reserved matter, issue shares on a pro-rata basis. The Company shall be permitted to take part in such equity share issue so as to maintain its shareholding. However, the Company may not take up shares such that it will hold a percentage of shares that will compromise the status of Lekoil Nigeria as a Nigerian company for the purposes of the Local Content Act.

Any distribution by Lekoil Nigeria shall be in the ratio of 90 per cent. to the Company and 10 per cent. to the remaining shareholders. Lekoil Nigeria may only make a distribution to members where Nigerian law allows it to do so (including a requirement for Lekoil Nigeria to have sufficient distributable profits). The Shareholders Agreement provides that no distribution shall be paid if Lekoil Nigeria would be rendered insolvent or unable to pay its debts as they fall due as a result of making such distribution or, if the board of Lekoil Nigeria, as a board reserved matter, resolved to set aside profits from any such distribution and use them for an alternative purpose. Lekoil Nigeria may also pay a non-cash dividend provided that any such non-cash distribution shall be distributed to shareholders in the same proportions as cash distributions.

The Shareholders Agreement contains a list of board reserved matters (which Lekoil Nigeria cannot transact without the consent of 70 per cent. of the directors of Lekoil Nigeria then present and voting at the relevant board meeting) and a list of shareholders reserved matters (which Lekoil Nigeria cannot transact without the consent of 75 per cent. of shareholders then present and voting at the relevant general meeting). Board reserved matters include incurring of capital expenditure of above US\$10,000,000; the incurring of any indebtedness of above US\$5,000,000 or the entry by the Company into any partnership or joint venture relating to its material assets. Shareholder reserved matters include: the disposal or acquisition of assets with a value of US\$15,000,000 or more; the allotment of additional shares or the winding up of the Company. As B Shareholder, the Company is entitled to appoint three directors to the board of Lekoil Nigeria, one of whom shall also be an independent non-executive director of the Company. As B Shareholder, the Company has the right to nominate the Chief Financial Officer.

The quorum for a meeting of the Lekoil Nigeria board is 70 per cent. of the total directors. The quorum for a meeting of Lekoil Nigeria's shareholders is at least two shareholders who together hold at least 70 per cent. of the issued share capital of Lekoil Nigeria. However, in the event that an initial board or shareholder meeting is adjourned due to a lack of a quorum, a lower quorum requirement (capable of being formed without the Company or the Company's appointed directors (as the case may be)) applies.

The Shareholders Agreement provides that shareholders in Lekoil Nigeria cannot transfer their shares without the prior written consent of other shareholders (such consent not to be unreasonably withheld or delayed). The Shareholders Agreement includes descriptions of potential transferees where it would be reasonable for the other shareholders to withhold their consent (although consent may be deemed given if a shareholder fails to respond within 20 business days of a consent request). In addition, all of the shareholders are subject to an initial 24 month lock in from the date of the Shareholders Agreement. Notwithstanding the general restrictions on share transfers, shareholders in Lekoil Nigeria may at any time transfer their shares to certain prescribed transferees provided such transferees adhere to the Shareholders Agreement.

Finally, the board of Lekoil Nigeria may not register any transfer which calls into question Lekoil Nigeria's status as a Nigerian company for the purposes of Nigerian indigenisation legislation.

(b) *Omnibus Voting and Investor Rights Agreement*

The Company entered into an Omnibus Voting and Investor Rights Agreement (the "OVIRA") in August 2011. The OVIRA was an agreement between all Shareholders of the Company and includes a number of clauses typically seen in a shareholders agreement, including as to board composition, restrictions on transfer, drag and tag along rights and provisions generally relating to the management and operation of the Company. The OVIRA was terminated by the execution of a deed of termination with effect from the day before Admission.

13.5 *Finance documents*

(a) *Facility Agreement*

The Company entered into the Facility Agreement with Mayfair on 13 May 2013 under which the Company has agreed to make a loan available to Mayfair to fund its capital expenditure and operating expenditure in respect of OPL310. The principal amount of the loan under the Facility Agreement is US\$35 million, and interest is payable at a rate of interest equivalent to three month LIBOR plus 9 per cent. per annum, which reflects a typical commercial rate for loans of this type in Nigeria.

Interest is capitalised every three months until the later of the date falling two years after the date of the Facility Agreement and the date that a stipulated level of oil is extracted by Mayfair from any part of OPL310. Once interest becomes payable, if Mayfair is able to demonstrate to the satisfaction of the Company that it is unable to meet its interest payment obligations, the interest will be capitalised. Interest is capitalised or payable every three months.

The loan is utilised in one drawing with funds being placed in the Escrow Account. The loan is repayable on the tenth anniversary of the date of the Facility Agreement unless there is an event of default, in which case the Company may accelerate the repayment of the loan.

The Facility Agreement includes customary events of default including non-payment, breaches of undertakings and change of control and customary conditions precedent.

The Facility Agreement is supported by security in favour of the Company in the form of a Nigerian law debenture, comprising a fixed and floating charge over certain assets, given by Mayfair, and a charge given by Lekoil Nigeria over the shares it holds in Mayfair.

The obligations of Mayfair under the Facility Agreement are guaranteed by Lekoil Nigeria.

(b) *Existing Intra Group Loan Agreement*

The Company has entered into an existing loan agreement with Lekoil Nigeria under the terms of which the Company has agreed to make available to Lekoil Nigeria a US Dollar facility up to an aggregate amount of US\$30 million. The purpose of the facility is to finance Lekoil Nigeria's operations in Nigeria and working capital purposes. The agreement is dated 1 January 2012, but the effective date is expressed to be 1 January 2011. The loan is repayable in the period between the seventh anniversary of the date of the agreement (the "Repayment Commencement Date") and 1 January 2021 in accordance with a repayment schedule to be agreed between the parties three months before the Repayment Commencement Date. Interest accrues on the loan from the Repayment Commencement Date at a rate of LIBOR plus 8 per cent. per annum. The agreement contains representations, warranties and undertakings given by Lekoil Nigeria. The Company is entitled to accelerate the loan upon the occurrence of an event of default, subject to applicable grace periods.

(c) *Afren Facility Agreement*

Mayfair has entered into the Afren Facility Agreement in which Afren PLC has agreed to lend Mayfair the Afren Facility as a term loan available for utilisation over a period of 23 months from the date of Admission to meet certain of the Company's obligations under the Farm Out Agreement and the Joint Operating Agreement. The Afren Facility is repayable in full on the date falling 24 months from the date of Admission.

The Company guarantees the obligations of Mayfair under the Afren Facility Agreement.

The utilisation of the Afren Facility is dependent upon the satisfaction of certain standard conditions precedent including Admission occurring and at least US\$35 million being credited to the Escrow Account. Certain standard representations will need to be made by the Company and Mayfair on the date of utilisation and those representations will be repeated throughout the term of the Afren Facility. No utilisation of the Afren Facility may be made if a default is subsisting or would arise as a result of drawing under the Afren Facility.

In order to utilise the Afren Facility, Afren PLC has to notify Mayfair of its payment obligations under the Farm Out Agreement or the Joint Operating Agreement and all amounts standing to the credit of the Escrow Account (being US\$35 million following Admission) have to have been utilised in full. Amounts drawn down are credited to a bank account with Afren and this satisfies the obligations of Mayfair under the Farm Out Agreement or the Joint Operating Agreement, as applicable.

Interest will accrue on the Afren Facility at a rate of 11.5 per cent. per annum and will be compounded every three months and will be repayable on the final repayment date. Withholding tax is payable at a rate of 10 per cent. on payments of interest and is payable at the time the interest is paid. Mayfair is obliged to gross up such payments of interest.

If any person or persons acting in concert gain control of the Company, the Company ceases to own 40 per cent. of the shares in Lekoil Nigeria or ceases to hold the right to receive 90 per cent. of any

dividend paid by the Lekoil Nigeria or any capital returned by Lekoil Nigeria or Lekoil Nigeria ceases to control or own 99 per cent. of the shares in Mayfair, a mandatory prepayment event will arise.

Mayfair and the Company (without double counting) have to use the proceeds of any equity raising (other than any equity raised from Admission or under the SEDA up to a maximum of US\$15 million) in prepayment and cancellation of the Facility in an amount of 20 per cent. in the year following the date of the Afren Facility Agreement and 50 per cent. following the first anniversary the Afren Facility Agreement. Mayfair and the Company (without double counting) have to use 50 per cent. of the proceeds of any financing in excess of US\$10 million raised by them or raised by a subsidiary of the Company and guaranteed by the Company after the first anniversary of the Afren Facility Agreement in prepayment and cancellation of the Afren Facility.

Following acceleration of the Facility, Afren PLC may request (the "Request") that the Company issue shares (following shareholder approval and subject to compliance with AIM Rules and the Articles) to Afren PLC with an aggregate market value (to be determined by reference to the weighted average price of Company's shares in the 30 business days preceding the event of default) equal to the amount outstanding under the Facility. The amount outstanding under the Afren Facility shall be reduced by the value of the shares issued to Afren PLC.

To the extent the obligation to issue shares within 45 days of a Request is not fulfilled, or is fulfilled but the value of those shares is less than the amounts outstanding so that there are still amounts outstanding under the Afren Facility, Afren PLC may exercise rights to have a proportion of Mayfair's OPL310 Participating Interest transferred to Afren. The proportion of the Participating Interest transferred is calculated as: such amount of the Participating Interest that corresponds with the value of the amounts outstanding under the Afren Facility (with Mayfair's OPL 310 Participating Interest having a deemed value of US\$50 million). However, the proportion of the Participating Interest that can be transferred is subject to a cap that ensures Mayfair will not be left with less than a 10 per cent. Participating Interest. To allow Afren to enforce its right to have a proportion of Mayfair's OPL310 Participating Interest transferred to it in these circumstances, Mayfair executed a deed of assignment in respect of a proportion of Mayfair's OPL310 Participating Interest. The amount outstanding under the Afren Facility shall be reduced by the value of the transferred Participating Interest.

Mayfair has granted a power of attorney to Afren to perfect the deed of assignment and to execute any other documents required to give effect to the deed of assignment.

There are market standard undertakings and events of default.

Afren PLC is entitled to transfer its rights under the Afren Facility Agreement to any of its group companies at its own expense.

(d) *SEDA*

The SEDA was entered into by the Company and YAGM, pursuant to which YAGM, subject to certain conditions and limitations, including, *inter alia*, Admission, has agreed to subscribe for the Pounds Sterling equivalent of up to US\$35 million of Ordinary Shares (the "Commitment Amount") over a period of 36 months from Admission.

Under the SEDA, the Company may, at its discretion, require YAGM to subscribe from time to time for a number of its shares (an "Advance") not to exceed, in general, the greater of 300 per cent. of the average volume weighted daily trading value of the Ordinary Shares for the five trading day period immediately preceding the date of the relevant notice requesting the Advance (an "Advance Notice"), provided that no Advance shall result in YAGM holding more than 4.99 per cent. of the Company's total issued share capital and subject to an overall limit of the Commitment Amount.

The Company may request an Advance no more than once every 10 trading days. Should YAGM's realised gain with respect to such Ordinary Shares sold during the Pricing Period (as defined below)

in relation to any Advance exceeding 5 per cent. of the final advance amount with respect to such shares, the purchase price for such sold shares shall be increased by an amount equal to 50 per cent. of such excess.

The price at which the Company will issue shares to YAGM will be 95 per cent. of the lowest daily volume weighted average price ("VWAP") of the shares during the 15 consecutive trading days beginning on the first trading day after the relevant Advance Notice (the "Pricing Period"). On any day during a Pricing Period when the VWAP of the Ordinary Shares falls below a minimum acceptable price set by the Company the amount of the Advance is reduced by an agreed percentage amount. Where that occurs YAGM can subscribe for Ordinary Shares in respect of each such day at 95 per cent. of the minimum acceptable price.

The Ordinary Shares issued pursuant to any Advance will be delivered not later than the fourth trading day after the relevant Pricing Period. Upon delivery of such Ordinary Shares, the proceeds of such Advance will be released to the Company.

The SEDA is conditional upon Admission taking place by 31 May 2013 and upon the delivery by the Company to YAGM of a legal opinion as to the Company's capacity to enter into the SEDA. There are a number of conditions which need to be satisfied for each Advance. In addition, for each Advance, the Company will be required to give a number of warranties (against which certain disclosures are being made) relating to, amongst other things, the Ordinary Shares, the Group's conduct and assets. A breach of warranty will give rise to a right to YAGM to terminate the SEDA as would the occurrence of a material adverse change in respect of the Group and where YAGM is unable to sell Ordinary Shares acquired by it pursuant to the SEDA because of the implementation of short selling regulations. In addition, the Company has given a number of positive and negative covenants as to its actions during the Commitment Period. These include compliance with laws, a covenant not to enter into another equity distribution agreement with any other party and to take all steps necessary to preserve the Group's licences.

Neither YAGM nor its affiliates may engage in any short sales with respect to the Shares, provided that YAGM may during a Pricing Period sell shares it anticipates receiving in an Advance.

The Company has agreed to pay an implementation fee of US\$375,000 to YAGM for the SEDA. This fee can be settled either in cash or in Ordinary Shares, valued at the Placing Price or a combination of the two. It has also agreed to pay a commission of two per cent. on every Advance and the fee of £10,000 for YAGM's advisers' expenses.

The Company has also agreed to indemnify YAGM, its group companies, directors and agents against all claims and any losses of any kind which those persons suffer directly or indirectly as a result of the breach of the SEDA or any warranty in the SEDA, any failure to comply with law, any misrepresentation, the performance by YAGM of the SEDA or failure to obtain admission of the relevant shares except where the indemnified party has been fraudulent, grossly negligent or wilfully defaults under the SEDA.

The SEDA is governed by the laws of England and Wales.

### 13.6 ***Documents relating to the Placing***

#### (a) ***Placing Agreement***

The Company, the Directors, Mirabaud and Strand Hanson entered into the Placing Agreement on 13 May 2013. Pursuant to the Placing Agreement the Company appointed Mirabaud as its agent for the purpose of carrying out the Placing and Mirabaud agreed to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price.

The obligations of Mirabaud and Strand and completion of the Placing are subject to the Placing Agreement becoming unconditional and not being terminated in accordance with its terms. Such conditions include, *inter alia*, the conditions to the Farm-Out Agreement (other than Ministerial Consent) being fulfilled and Admission occurring by not later than 8.00 a.m. on 17 May 2013 or such

later date as Mirabaud and Strand may agree with the Company (being not later than 8.00 a.m. on 31 May 2013).

The Company has granted Mirabaud the Over-Allotment Option, being an option to require the Company to issue up to 12,000,000 Over-Allotment Shares at the Placing Price to Mirabaud or such persons as it may nominate. The Over-Allotment Option shall be exercisable by Mirabaud in whole or in part on one or more occasions from the date of Admission and from time to time up to and including 5.30 p.m. on the thirtieth day following the date of Admission.

The Company has agreed to pay Mirabaud on completion of the Placing a commission of 6 per cent. of the gross monies raised from subscribers pursuant to the Placing and Over-Allotment Option together with any applicable VAT on such amounts.

The Company has agreed to pay Strand Hanson on completion of the Placing:

- (i) £650,000 (of which £50,000 has already been paid); and
- (ii) Warrants pursuant to the Warrant Agreement to subscribe for such number of Ordinary Shares as total £300,000 at the Placing Price.

In addition to the fees and commissions referred to above, the Company has agreed to pay or bear all costs, charges and expenses properly and reasonably incurred and arising out of, or incidental to, the Placing, Admission and the exercise of the Over-Allotment Option and the arrangements referred to or contemplated in the Placing Agreement.

The Placing Agreement contains (1) certain customary warranties and undertakings given by the Company and the Directors to Mirabaud and Strand Hanson as to the accuracy of the information contained in this document and other matters relating to the Group and its business; (2) certain customary indemnities from the Company and the Executive Directors in favour of Mirabaud and Strand Hanson; and (3) certain undertakings from the Company to, *inter-alia*, consult with, or obtain the consent of, Mirabaud and/or Strand Hanson.

Mirabaud and Strand Hanson may terminate the Placing Agreement in certain circumstances prior to Admission. These include, *inter alia*, if any statement contained in this document was untrue, incorrect or misleading in any material respect or if any of the warranties given by the Company or the Directors was not true and accurate in any material respect or if there happens, develops or comes into effect any occurrence of any kind which in Mirabaud's or Strand Hanson's reasonable opinion is likely to materially and adversely affect the market's position or prospects of the Group taken as a whole or any other crisis of international or national effect or any change in any currency exchange rates or controls or in any financial, political, economic or market conditions or in market sentiment, which, in any such case, in Mirabaud's or Strand Hanson's reasonable opinion is materially adverse to the Placing.

(b) *Warrant Instrument*

By a deed poll dated 13 May 2013 the Company has created the Warrants. The Warrants are exercisable at a price per Ordinary Share equal to the Placing Price and shall be valid for a period of five years.

(c) *Nominated Adviser Agreement*

The Company and Strand Hanson entered into an agreement on 13 May 2013 whereby, conditional on Admission, the Company appointed Strand Hanson to act as its nominated adviser for an annual retainer fee of £100,000 (payable by the issuance of Ordinary Shares at the Placing Price, plus any applicable VAT) (the "Fee Shares") for the first year after Admission; and £75,000 plus any applicable VAT in each year thereafter. Either party may terminate Strand Hanson's appointment immediately in the event of the material breach of the agreement by the other party. Strand Hanson may also terminate the appointment forthwith at any time in certain circumstances, *inter alia*, if the Company does not pay any sum payable under the agreement within 14 days of the due date or if

the Company suffers an insolvency event. The agreement contains certain customary indemnities from the Company.

(d) *Broker Agreement*

The Company and Mirabaud entered into an agreement on 13 May 2013 whereby, conditional on Admission, the Company appointed Mirabaud to act as its broker for an annual retainer fee of £50,000 plus any applicable VAT. Either party may terminate Mirabaud's appointment by giving not less than three months' notice in writing, such notice not to take effect earlier than the first anniversary of the date of the agreement. In the event of a material breach by Mirabaud or if Mirabaud suffers an insolvency event the Company may terminate the appointment forthwith at any time. Mirabaud may terminate the appointment forthwith at any time in certain circumstances, *inter alia*, if the Company does not pay any sum payable under the agreement within 14 days of the due date, if there is a material breach by the Company, if the Company suffers an insolvency event or if a warranty by the Company is untrue or misleading in any material respect. The agreement contains (1) certain customary warranties and undertakings given by the Company to Mirabaud; and (2) certain customary indemnities from the Company.

(e) *Lock In Agreements*

The Company, Strand Hanson, Mirabaud and the Locked In Shareholders entered into the Lock In Agreements on 13 May 2013 whereby the latter have agreed not, without the consent of each of Strand Hanson and Mirabaud, to dispose of any part of their interests in Ordinary Shares held by them or their associates at Admission for the period of 12 months from Admission (the "Restricted Period"). The Locked In Shareholders have further agreed they will, during the period of 12 months from the expiry of the Restricted Period, only dispose of any part of their interests in Ordinary Shares held by them or their associates at Admission with the prior consent of Mirabaud (or the broker for the time being of the Company) and that such disposal shall be effected, subject to some provisos, through Mirabaud or any replacement broker in such manner so as to ensure an orderly market in the Ordinary Shares. The restrictions in the Lock In Agreements are subject to certain customary limited exceptions.

13.7 ***Other agreements***

(a) *Management and Technical Services Agreement*

The Company has entered into a management and technical services agreement with Lekoil Management Corp. ("LMC") under the terms of which the Company has appointed LMC to provide management, corporate support and technical services to the Company. The agreement is undated, but the effective date is expressed to be 1 January 2011. The initial term of the agreement is ten years from 1 January 2011, renewable for further periods of ten years, unless terminated by either party on 90 days' written notice or by LMC on a change in control of the Company. The agreement is also terminable upon the occurrence of a *force majeure* event or in the event of the other party's insolvency or breach. The Company has agreed to indemnify LMC against all losses and liabilities arising out of LMC's non-negligent performance of its duties under the agreement. The remuneration payable by the Company to LMC includes reimbursement for charges and operating costs incurred by LMC and such other amounts as may be agreed between the parties.

(b) *Stock Option Agreements – these are described in paragraph 9 above*

(c) *Registrar Agreements – these are described in paragraph 17 below*

(d) *Depository Agreements – these are described in paragraph 19 below*

(e) *Nigerian Property*

Lekoil Nigeria currently has a one year lease running until 14 April 2014 with ANAP Holdings Limited, which is controlled by Mr Peterside, a Director, for a residential property located at 1 Walter Carrington Crescent, Victoria Island, Lagos, Nigeria. The gross rent payable under the

terms of the lease is US\$85,000 (inclusive of withholding tax) per annum. The property is used by Lekoil Nigeria as a guest house for the directors and employees of the Group when visiting Lagos.

#### **14. Working capital**

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Company and its subsidiaries, taking into account the net proceeds of the Placing, will be sufficient for its present requirements, that is for the period of at least 12 months from Admission.

#### **15. Litigation**

Neither the Company nor any member of the Group is involved nor have any of them been involved in any governmental, legal or arbitration proceedings in the previous 12 months which have, or may have had in the recent past, a significant effect on the Company's financial position or profitability nor, so far as the Directors are aware, are any such proceedings pending or threatened against the Company or any member of the Group.

#### **16. Taxation**

##### **16.1 *Cayman Islands taxation***

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

The Company is registered as an "exempted company" pursuant to the Cayman Act. The Company has applied for, and expects to receive an undertaking from the Governor in Cabinet of the Cayman Islands to the effect that, for a period of 20 years from the date of the undertaking, no law that thereafter is enacted in the Cayman Islands imposing any tax or duty to be levied on profits, income or on gains or appreciation, or any tax in the nature of estate duty or inheritance tax, will apply to any property comprised in or any income arising under the Company, or to the Shareholders thereof, in respect of any such property or income.

##### **16.2 *UK taxation***

###### **16.2.1 *General***

The following comments are intended as a general guide to the UK tax treatment of the acquisition, ownership and disposal of Placing Shares or Depositary Interests for persons who are the absolute beneficial owners. The comments are based on UK tax law and understanding of published HM Revenue and Customs ("HMRC") practice at the date of this document, all of which are subject to change, possibly with retrospective effect. The comments are a general guide only and do not apply to certain categories of Shareholder, such as persons owning shares as securities to be realised in the course of a trade, persons owning more than a 10 per cent. stake in the Company, persons who are not resident in the United Kingdom, or are resident but not domiciled in the United Kingdom, or persons who do not acquire their Placing Shares or Depositary Interests under the Placing.

The following is not intended to be, nor should it be considered to be, legal or tax advice to any particular investor. Accordingly, all potential investors are advised to obtain their own professional advice on the tax implications of acquiring, owning and/or disposing of Placing Shares or Depositary Interests.

###### **16.2.2 *Dividends***

The Company will not be required to withhold any UK tax on dividend payments in respect of the Placing Shares.

Subject to comments below regarding the availability of a UK tax credit, a UK resident individual Shareholder will be subject to UK income tax at the appropriate rate on the cash dividend received. For the tax year 2013-2014, the appropriate rate for a shareholder who is liable to income tax at the basic rate will be 10 per cent.; for a Shareholder liable to income tax at the higher rate it will be 32.5 per cent.; and for a Shareholder liable to income tax at the additional rate it will be 37.5 per cent.

A UK resident Shareholder who is an individual will generally be entitled on receipt of a dividend to a notional tax credit equal to one ninth of the net dividend (i.e. one tenth of the aggregate of the net dividend and associated tax credit). The rate of income tax payable on such dividends by a UK individual Shareholder whose total income, including the dividend and the associated tax credit, falls within the threshold for lower or basic rate tax is 10 per cent. Accordingly, the tax credit will discharge such Shareholder's liability to UK income tax on the dividend. To the extent that the tax credit exceeds that Shareholder's liability to UK income tax, such Shareholder will not be entitled to claim payment of the excess from HMRC.

The rate of income tax payable on such dividends by a UK individual Shareholder whose total income, including the dividend and associated tax credit, falls above the threshold for higher rate tax (but below the additional rate threshold of £150,000), is 32.5 per cent., which taking into account the 10 per cent. tax credit gives an effective rate of tax of 25 per cent. on the net cash dividend received. The rate of income tax payable on such dividends by a UK individual Shareholder whose total income, including the dividend and associated tax credit, falls above £150,000 per annum, is 37.5 per cent., which taking into account the 10 per cent. tax credit gives an effective rate of tax of 30.6 per cent. on the net cash dividend received.

A company that is resident in the UK for tax purposes will generally be exempt from corporation tax on dividends received from companies resident outside the UK. There are various exceptions to this exemption, depending on the size of the corporate shareholder. In particular, for "small" recipient companies (where a "small company" is one which meets the definition of a small or micro enterprise as defined in the Annex to Commission Recommendation 2003/361/EC of 6 May 2003), dividends may be within the charge to UK corporation tax. Anti-avoidance provisions also exist. It is anticipated that the majority of UK resident corporate Shareholders will be exempt from corporation tax on dividends received, but they should confirm their tax position with a specialist tax adviser.

If the Company's dividends are not exempt they will be included in the UK resident corporate Shareholder's profits chargeable to corporation tax and taxed at the appropriate rate of corporation tax (currently, in the 2013-14 financial year, a maximum of 23 per cent.).

### 16.2.3 *Capital Gains*

A disposal of Placing Shares or Depositary Interests by a Shareholder resident or, in the case of an individual, ordinarily resident for UK tax purposes in the United Kingdom may, depending on the Shareholder's circumstances and subject to any available exemptions, allowances or reliefs (such as entrepreneurs relief), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains.

### 16.2.4 *Stamp duty and stamp duty reserve tax*

The following comments are intended as a guide to the general United Kingdom stamp duty and stamp duty reserve tax ("SDRT") position and (except insofar as expressly referred to below) do not relate to persons such as market makers, brokers, dealers, intermediaries, persons connected with depositary receipt arrangements or clearance services or persons who enter into sale and repurchase transactions in respect of the Placing Shares or Depositary Interests to whom special rules apply.

No UK stamp duty or SDRT will generally be payable on the issue of Ordinary Shares in certificated form or represented by dematerialised Depositary Interests.

UK stamp duty should generally not need to be paid on a transfer of Ordinary Shares held in certificated form.

No UK SDRT will be payable in respect of any unconditional agreement to transfer Ordinary Shares held in certificated form unless the Ordinary Shares are registered in a register kept in the UK by or on behalf of the Company or are paired with any UK shares. It is not intended that such a register will be kept in the UK or that the Ordinary Shares will be paired with any UK shares.

UK stamp duty will not be payable on a transfer of Depositary Interests.

UK SDRT will generally be payable on an unconditional agreement to transfer Depositary Interests at a rate of 0.5 per cent. of the consideration paid. This is on the basis that the Ordinary Shares will need to be represented by Depositary Interests issued by the Depositary in order to be held in CREST and that the conditions for exemption from charge set out in The Stamp Duty Reserve Tax (UK Depositary Interests in Foreign Securities) Regulations 1999 are not satisfied.

On 20 March 2013, it was announced in the Budget 2013, that the UK Government intends, following consultation, to abolish SDRT on shares quoted on AIM from April 2014.

Shareholders should seek their own professional advice as to any stamp duty, SDRT or other tax consequences of the conversion of the Placing Shares from uncertificated to certificated form, and *vice versa*.

### 16.3 *US taxation*

Subject to the FATCA (as defined below) and back-up withholding tax discussion below, the United States generally should not impose any withholding tax on income from the shares. The Company is a limited company incorporated in the Cayman Islands, and so all of its owners should have limited liability. Accordingly, unless the Company files an election with the US Internal Revenue Service to be treated as a partnership for US tax purposes, which it does not intend to do, it would be treated as a foreign corporation for US tax purposes. As a foreign corporation that does not generally have income connected with the conduct of a trade or business in the United States, dividends paid by the Company would be considered foreign source income and therefore not subject to US withholding tax for non-US persons who are not otherwise subject to US income tax. Similarly, gain on the sale of shares would generally not be subject to US withholding tax for non-US persons who are not otherwise subject to US income tax. Even though no US withholding tax would be generally applicable, US citizens and residents would include any income from the shares in their taxable income.

The Company may be required in certain circumstances to backup withhold on certain payments paid to non-corporate holders who do not furnish it with their correct taxpayer identification number (in the case of individuals, their social security number) and certain certifications, or who are otherwise subject to backup withholding. Backup withholding is not an additional tax. Any amounts withheld from payments made to the investor may be refunded or credited against the investor's U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS.

Under Internal Revenue Code sections 1471 through 1474 (the Foreign Account Tax Compliance Act, or "FATCA"), a person who makes a withholdable payment (as defined in section 1473) to a foreign financial institution ("FFI") or a non-financial foreign entity ("NFFE") must withhold at a 30 per cent. rate unless the FFI or NFFE meets certain requirements or provides certain information to the U.S. person making the payment. Withholdable payments generally include fixed or determinable annual or periodical ("FDAP") payments (such as dividends) and gross proceeds from the sale or other disposition of any property of a type which can produce U.S.-source interest or dividends (such as shares). FATCA withholding on US-source FDAP payments is generally scheduled to commence 1 January 2014, and FATCA withholding on payments of gross proceeds is generally scheduled to commence 1 January 2017. Because our shares do not produce US-source income, the shares should not be subject to withholding tax under FATCA provided that the Company meets the definition of an NFFE. If the Company is considered an FFI and chooses to

become a participating FFI, then it may have to withhold on certain “pass-thru payments” made to nonparticipating FFIs and recalcitrant account holders (i.e. investors who do not provide the information required by FATCA). At this point in time, “pass-thru payment” and the obligations of participating FFIs with respect to such payments have not been defined by US tax authorities.

## **17. Registrar arrangements**

- 17.1 A registrar’s agreement dated 13 May 2013 (the “Registrar’s Agreement”) was entered into between the Company and the Registrar, pursuant to which the Company appointed the Registrar to act as its registrar and provide the services set out in the Registrar’s Agreement.
- 17.2 In consideration of the services to be provided, the Company has agreed to pay the Registrar a set up fee of £1,500 and a minimum fixed annual fee of £5,500. Any additional services that the Company may require during the Registrar engagement are set out in the schedule of fees to the Registrar’s Agreement.
- 17.3 Subject to earlier termination, the Registrar’s Agreement is for a fixed term of one year and thereafter until terminated by the Company giving to the Registrar not less than three months’ notice. The Registrar may terminate the Registrar’s Agreement on giving not less than three months’ notice to the Company. Either party may terminate the Registrar’s Agreement at any time in certain other circumstances.
- 17.4 The Registrar’s maximum liability under the Registrar’s Agreement in respect of any 12 month period is capped at an amount equal to two times the fees payable by the Cayman company to the Registrar in that 12 month period. The parties are required under the Registrar’s Agreement to indemnify each other in certain circumstances.
- 17.5 The Registrar’s Agreement is governed by the laws of the Cayman Islands.

## **18. Deed poll creating the Depositary Interests**

- 18.1 To enable Shareholders to settle their securities in the Company through the CREST system, the Company has put in place a Depositary Interest facility operated by the Depositary. The Depositary Interest facility is created pursuant to a deed poll dated 13 May (the “Deed Poll”), under which, the Depositary (or its nominee) will hold Ordinary Shares in certificated form on trust for Shareholders and it will issue uncertificated Depositary Interests (on a one-for one basis) representing those underlying Ordinary Shares and provide the necessary custodian services. The relevant Shareholders will retain the beneficial interest in the Ordinary Shares held through the Depositary Interest facility and voting rights, dividends or any other rights relating to those Ordinary Shares will be passed on by the Depositary (or its nominee) in accordance with the terms of the Deed Poll. The Depositary Interests can then be traded, and settlement can be effected, within the CREST system in the same way as any other CREST security.
- 18.2 Shareholders wishing to withdraw from the Depositary Interest facility and hold their Ordinary Shares in certificated form may do so at any time using standard CREST messages. Transfers of Depositary Interests are subject to stamp duty or stamp duty reserve tax, as appropriate, in the normal way.
- 18.3 CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.
- 18.4 The Deed Poll is on a standard form approved by Euroclear. There is no separate fee payable to the Depositary under the Deed Poll however the Company shall pay the Depositary a set-up fee of £6,000 under the Depositary Agreement (as defined and summarised in paragraph 19 of this Part below). The Depositary is also entitled to charge the holders of Depositary Interests its reasonable and properly incurred fees and expenses as notified to them from time to time.
- 18.5 The Depositary may resign as depositary by giving not less than 90 days’ prior written notice to the holders but may not take effect until a successor Depositary takes effect. The Deed Poll may be

terminated by the Depositary giving 30 days' prior written notice. Each holder of Depositary Interests is required to indemnify the Depositary in certain circumstances (excluding default, fraud and negligence on the part of the Depositary). In order to discharge any liability of the holders of Depositary Interests to the Depositary arising under such indemnity, the Depositary may sell the Ordinary Shares it holds on trust for such holder or make deductions from any income or capital arising from such Ordinary Shares.

18.6 The Depositary's maximum liability under the Deed Poll is the value of the Ordinary Shares to which such liability relates or, if less, £5 million.

18.7 The Deed Poll is governed by the laws of England and Wales.

## **19. Depositary arrangements**

19.1 An agreement for the provision of depositary and custody services dated 13 May 2013 (the "Depositary Agreement"), was entered into between the Company and the Depositary, pursuant to which the Company appointed the Depositary to act as depositary and custodian in respect of the Depositary Interests and to provide the services set out in the Depositary Agreement.

19.2 In consideration of the services to be provided, the Company has agreed to pay the Depositary an annual fee of £8,000. The Company has also agreed to pay the Depositary £6,000 in respect of the compilation of the initial Depositary Interests register and the provision of the draft documentation in respect of the Deed Poll and the Depositary Agreement. There is a fee schedule in the Depositary Agreement which stipulates the costs of any additional services that the Company may require during the Depositary's engagement including £3 per deposit or cancellation, and £0.50 per transfer, of any Depositary Interests.

19.3 Subject to earlier termination, the appointment of the Depositary is for a fixed term of one year and thereafter until terminated by either party giving to the other not less than three months' notice. Either party may also terminate the Depositary Agreement at any time in certain other circumstances.

19.4 The Depositary's maximum liability under the Depositary Agreement in respect of any 12 month period is capped at an amount equal to two times the fees payable by the Company to the Depositary in that 12 month period. The parties are required under the Depositary Agreement to indemnify each other in certain circumstances.

19.5 The Depositary Agreement is governed by the laws of England and Wales.

## **20. Other information**

20.1 The fees and expenses of, and incidental to, the Admission are estimated at US\$7.9 million inclusive of VAT. These include (but are not limited to) accountancy fees, solicitors' and attorneys' fees and the fees of the Company's nominated adviser and broker.

20.2 Except for the material contracts referred to in paragraph 13 of this Part 6, there are no contracts or agreements which are of fundamental importance to the Company's business.

20.3 Save as disclosed in this document, the Company is not dependent on any patents, licences, industrial or commercial or financial contracts or new manufacturing processes which have a material effect on the Company's business or profitability.

20.4 None of the Directors performs any principal activities outside the Company that are significant with respect to the Company.

20.5 Except as stated in this document, there have been no principal investments made by the Company during the last three financial years and there are no principal future investments on which firm commitments have been made.

- 20.6 Except as otherwise stated in this document and save as set out below, no government, regulatory authority or similar body, company or person has received, directly or indirectly, from the Company within the 12 months preceding the Company's application to AIM, or has entered into any contractual arrangements with the Company to receive, directly or indirectly, from the Company on or after Admission fees totalling £10,000 or more, securities which have a value of £10,000 or more or any other benefit with a value of £10,000 or more at the date of Admission.
- 20.7 BDO LLP have given and not withdrawn their written consent to the inclusion in this document of their reports in Part 3 and Part 4 in the form and context in which they are included.
- 20.8 KPMG is registered with the Institute of Chartered Accountants of Nigeria and the Financial Reporting Council of Nigeria to carry out audit work.
- 20.9 BDO LLP is registered with the Institute of Chartered Accountants in England and Wales to carry out audit work.
- 20.10 Strand Hanson, as nominated adviser, has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which it appears.
- 20.11 Strand Hanson is regulated by the Financial Conduct Authority.
- 20.12 Mirabaud, as broker, has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which it appears.
- 20.13 Revere, as US Placing Agent, has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which it appears.
- 20.14 NSAI has given and not withdrawn its consent to the issue of this document with the inclusion in it of their report as set out in Part 5 of this document and the reference thereto and to their name in the form and context in which it appears and have accepted responsibility for the content of such report.
- 20.15 Except as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 31 December 2012, the date to which the financial information in Section B Part 4 has been drawn up.
- 20.16 Save for the Shareholders Agreement, the lease held by Lekoil Nigeria described in paragraph 13.7(e) above and as otherwise disclosed in this document, the Company has not entered into any related party transactions.
- 20.17 Save as disclosed in this document, there are no environmental issues that the Directors have determined may affect the Company's utilisation of tangible fixed assets and the Directors have not identified any events which have occurred since the end of the last financial year and which are considered to be likely to have a material effect on the Company's prospects for the current financial year.
- 20.18 The financial information relating to the Company contained in this document does not comprise statutory accounts for the purposes of section 240 of the Act.
- 20.19 The Placing Price of 40 pence per share (approximately US\$0.61 per share) represents a premium of 1,228,260 per cent. to the US\$0.00005 nominal value of an Ordinary Share.
- 20.20 It is expected that CREST accounts will be credited in respect of entitlements to Depositary Interests in respect of Ordinary Shares on 17 May 2013. Where Placees have requested to receive their Ordinary Shares in certificated form, share certificates will be despatched by first class post within 14 days of the date of Admission.
- 20.21 The Ordinary Shares have been allocated the International Securities Identification Number (ISIN) of KYG5462G1073, which will be enabled on Admission.

- 20.22 The Ordinary Shares have been allocated the Stock Exchange Daily Official List identification number of B9FFQF9, which will be enabled on Admission.
- 20.23 Save as disclosed in this document, there are no arrangements of which the Company is aware which may result in a change of control of the Company.

## **21. Availability of this document**

Copies of the following documents will be available for inspection (free of charge) at the offices of Strand Hanson, 26 Mount Row, London W1K 3SQ during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of one month from the date of Admission:

- 21.1 the Articles;
- 21.2 the Directors' service contracts and letters of appointment referred to in paragraph 7 above;
- 21.3 the material contracts referred to in paragraph 13 above;
- 21.4 the written consents of Strand Hanson, Mirabaud, BDO LLP and NSAI referred to in paragraph 20 above; and
- 21.5 the CPR from NSAI set out in Part 5 of this document.

## **22. Copies of this document**

Copies of this document will be available to the public free of charge at the offices of Strand Hanson, 26 Mount Row, London W1K 3SQ during normal business hours on any weekday (other than Saturdays, Sundays and public holidays), for a period of at least one month from the date of Admission. This document will also be available for download from the Company's website at [www.lekoil.com](http://www.lekoil.com)

13 May 2013

## APPENDIX I

### TERMS AND CONDITIONS OF THE PLACING MADE BY CONTRACT NOTES

#### For invited placees only – Important Information

The information contained herein is restricted and is not for publication, release or distribution in or into the United States, any province of Canada or Australia, Japan, the Republic of South Africa or the Republic of Ireland, subject to certain limited exemptions.

**Each Placee should consult with its own advisers as to legal, tax, business and related aspects in relation to any purchase of Placing Shares.**

**Lekoil Limited (the “Company”)**

**Proposed Placing (the “Placing”) of new Ordinary Shares in the capital of the Company (the “Placing Shares”) at a price per share (the “Placing Price”) expected to be 40 pence (US\$0.61) to raise approximately £32.0 million (US\$49.1 million) (gross)**

**Important information on the Placing for placees procured by Mirabaud Securities LLP (“Mirabaud”) only.**

These Terms and Conditions (the “**Terms and Conditions**”) do not constitute an offer or invitation to acquire, underwrite or dispose of, or any solicitation of any offer or invitation to acquire, underwrite or dispose of, any Ordinary Shares or other securities of the Company to any person in any jurisdiction to whom it is unlawful to make such offer, invitation or solicitation in such jurisdiction. Persons who seek to participate in the Placing must inform themselves about and observe any such restrictions and must be persons who are able lawfully to receive this document in their jurisdiction (all such persons being “**Relevant Persons**”). In particular, this document does not constitute an offer or invitation (or a solicitation of any offer or invitation) to acquire, underwrite or dispose of or otherwise deal in any Ordinary Shares or other securities of the Company in the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan, subject to certain limited exemptions, or in any other jurisdiction in which any such offer, invitation or solicitation is or would be unlawful.

Members of the public are not eligible to take part in the Placing. In the UK, the Terms and Conditions are directed only at persons whose ordinary activities involve them acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses and who have professional experience in matters relating to investments falling within the definition of “investment professionals” in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”) or are high net worth body corporates, unincorporated associations or partnerships or trustees of high value trusts as described in Article 49 of the Order or to whom it may otherwise lawfully be communicated.

The Placing Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or under any other securities legislation of any state of the United States or registered or qualified under the applicable securities laws of any province of Canada or Australia, Japan, the Republic of South Africa or the Republic of Ireland. Accordingly, the Placing Shares may not, subject to certain limited exceptions, be offered or sold, directly or indirectly, within the United States, any province of Canada or Australia, Japan, the Republic of South Africa or the Republic of Ireland or offered or sold to, or for the account or benefit of, US persons (as defined in Regulation S of the Securities Act (“**US Person**”)) or a national, citizen or resident of any province of Canada or Australia, Japan, the Republic of South Africa or the Republic of Ireland. The Placing Shares are being offered and sold outside the United States to persons who are not US Persons in transactions complying with Regulation S, which provides an exemption from the requirement to register the offer and sale under the Securities Act. In certain cases, the Placing Shares

may be offered and sold in the United States, but only in private placements to Accredited Investors (within the meaning of Regulation D of the Securities Act) in transactions complying with Rule 506 of Regulation D, which provides an exemption from the requirement to register the offer and sale under the Securities Act.

These Terms and Conditions apply to persons who offer to purchase Placing Shares in the Placing. Each person (a “**Placee**”) to whom these Terms and Conditions apply, as described above, who confirms his agreement, whether by telephone or otherwise, with Mirabaud to purchase Placing Shares in the Placing, hereby agrees with Mirabaud to be legally and irrevocably bound by these Terms and Conditions which will be the Terms and Conditions on which the Placing Shares will be acquired in the Placing. Capitalised terms not otherwise defined in this Appendix I are as defined in the placing proof of the Admission Document (the “**Placing Proof Admission Document**”) to which this is an appendix and of which it forms a part.

The Terms and Conditions must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the Terms and Conditions set out herein relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

Acceptance of any offer incorporating the Terms and Conditions (whether orally or in writing or evidenced by way of a contract note) will constitute a binding irrevocable commitment by a Placee, subject to the Terms and Conditions set out below, to subscribe and pay for the relevant number of Placing Shares (the “**Placing Participation**”). Such commitment is not capable of termination or rescission by the Placee in any circumstances except fraud. All such obligations are entered into by the Placee with Mirabaud in its capacity as agent for the Company and are therefore directly enforceable by the Company.

In the event that Mirabaud has procured acceptances from Placees in connection with the Placing prior to the date of the despatch of this Placing Proof Admission Document to a Placee, Mirabaud will, prior to Admission, request confirmation from any such Placee that its Placing Participation as agreed in any earlier commitment remains firm and binding upon the Terms and Conditions of this document and referable to the contents of the Placing Proof Admission Document of which these terms form part. Upon such confirmation being given (whether orally, in writing or by conduct (including without limitation by receipt of the relevant placing proceeds by Mirabaud)) any agreement made in respect of the Placing Shares shall be varied, amended and/or ratified in accordance with the Terms and Conditions and based upon this Placing Proof Admission Document and no reliance may be placed by a Placee on any earlier version of this document.

### **Terms of the Placing**

Application will be made to the London Stock Exchange for the admission of the Placing Shares to be issued pursuant to the Placing to trading on AIM. Except as otherwise set forth herein, it is anticipated that dealings in the Placing Shares will commence on AIM on 17 May 2013 for normal account settlement and that admission of the Placing Shares to AIM will become effective on that date (“**Admission**”). The Placing Shares will not be admitted to trading on any stock exchange other than AIM. Each Placee will be deemed to have read this Appendix I in its entirety. Mirabaud is acting for the Company and no one else in connection with the Placing and will not regard any other person (whether or not a recipient of these Terms and Conditions) as a client in relation to the Placing and to the fullest extent permitted by law and applicable FCA rules, neither Mirabaud nor any of its affiliates will have any liability to Placees or to any person other than the Company in respect of the Placing.

The Placing Shares will rank equally in all respects with the existing Ordinary Shares of the Company on Admission, including the right to receive dividends or other distributions, if any.

### **Conditions**

Your Placing Participation is in all respects conditional upon:

- (i) Strand Hanson Limited (“**Strand Hanson**”), Mirabaud, the Company, and the Company’s directors entering into a Placing Agreement relating to the placing of the Placing Shares (the “**Placing Agreement**”) and the Placing Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms;

- (ii) all board and/or shareholder consents to the extent required for the Placing, having been obtained; and
- (iii) Admission having become effective,

in each case by 17 May 2013 or such later time and/or date as the Company, Strand Hanson and Mirabaud agree, but in any event being no later than 31 May 2013.

Pursuant to the Placing Agreement, Mirabaud will agree on behalf of and as agent for the Company, to use its reasonable endeavours to procure persons who will subscribe for the Placing Shares at the Placing Price, subject to these Terms and Conditions. The Placing will not be underwritten.

The Placing Agreement will (*inter alia*) contain certain warranties and indemnities from the Company and its directors for the benefit of Strand Hanson and Mirabaud. Each of Strand Hanson and Mirabaud may, in their absolute discretion, terminate the Placing Agreement if prior to Admission, *inter alia*, a *force majeure* event occurs, there is a breach of any of the warranties or undertakings or any fact or circumstance arises which causes a warranty to become untrue, inaccurate or misleading in any material respect or the Company or the Company's directors fail to comply with their respective obligations under the Placing Agreement in any material respect. The exercise by Strand Hanson or Mirabaud of any right of termination or any right of waiver exercisable by Strand Hanson or Mirabaud contained in the Placing Agreement or the exercise of any discretion under the Placing Proof Admission Document and the Terms and Conditions set out herein is within the absolute discretion of Strand Hanson and Mirabaud and they will not have any liability to you whatsoever in connection with any decision to exercise or not exercise any such rights.

By accepting the Placing Shares referred to in the Placing Proof Admission Document to which this Appendix I is annexed, you agree that, without having any liability to you, each of Strand Hanson and Mirabaud may, in their absolute discretion, exercise the right, (i) not to enter into the Placing Agreement; (ii) to extend the time for fulfilment of any of the conditions in the Placing Agreement (provided that your commitment is not extended beyond 31 May 2013), (iii) to waive, in whole or in part, fulfilment of certain of the conditions; or (iv) to terminate the Placing Agreement, in each case without consulting you.

If (i) any of the conditions in the Placing Agreement are not satisfied (or, where relevant, waived) or (ii) the Placing Agreement is terminated or (iii) the Placing Agreement does not otherwise become unconditional in all respects, the Placing will not proceed and all funds delivered by you to Mirabaud or the Company pursuant to the Placing Proof Admission Document and this Appendix I will be returned to you at your risk without interest, and your rights and obligations hereunder shall cease and determine at such time and no claim shall be made by you in respect thereof.

### **Settlement**

The Company has applied for the Depositary Interests in respect of Ordinary Shares to be held in CREST so that Shareholders have the choice of whether they want to hold their Ordinary Shares in certificated or uncertificated form. Shareholders who elect to hold their Ordinary Shares in uncertificated form through Depositary Interests will be bound by the terms of the CREST system. Shareholders can withdraw their Ordinary Shares back into certificated form at any time using standard CREST messages.

Depositary Interests in respect of Placing Shares will be delivered direct into your CREST account, provided payment has been made in terms satisfactory to Mirabaud and the Company and the details provided by you have provided sufficient information to allow the CREST system to match to the CREST account specified. Depositary Interests in respect of the Placing Shares comprised in your Placing Participation are expected to be delivered to the CREST account which you specify by telephone to your usual sales contact at Mirabaud.

Subject to the conditions set out above, payment in respect of your Placing Participation is due as set out below. You should provide your settlement details in order to enable instructions to be successfully matched in CREST. The relevant settlement details are as follows:

CREST participant ID of Mirabaud:	MIRA 834 (Designation: Cleaning)
Expected Trade date:	13 May 2013
Settlement date:	17 May 2013
ISIN code for the Placing Shares:	KYG5462G1073
Deadline for you to input instructions into CREST:	<b>12.00 p.m. (UK time) on 13 May 2013</b>

In the event that the Placing Agreement does not become unconditional in all respects or is terminated, the Placing will not proceed. Once the Placing Shares are allotted and issued, Depository Interests in respect thereof will be admitted to CREST with effect from Admission. It is expected that dealings on AIM in the Placing Shares will commence on or about 17 May 2013.

Notwithstanding the foregoing, any Placing Shares held in certificated form by a person in the United States or a US Person who (i) acquired such Placing Shares in the Regulation D Placing, (ii) acquired such Placing Shares from a US Person who acquired such Placing Shares in the Regulation D Placing, or (iii) is otherwise connected by an unbroken series of purchasers in the US to a US Person who acquired such Placing Shares in the Regulation D Placing, will bear a legend containing notice of transfer restrictions. In addition, in order for such Placing Shares to be eligible for dematerialisation into CREST through Depository Interests, the holder of the legended share certificate would be required to send the certificate to the Registrar. The Registrar would require a legal opinion from the Company as to the status of the certificate holder and making representations regarding compliance with United States securities laws.

Notwithstanding the foregoing, in connection with sales of Placing Shares to Placees outside the United States and not to US Persons, any offer or sale of such Placing Shares within the United States or to a US Person until 40 days after the closing of the Placing, may violate the registration requirements of the Securities Act. Placees will be restricted from selling, or offering to sell or deliver Placing Shares to, or for the account of or benefit of, US Persons until 40 days after the later of the commencement of the Placing or the date on which such Placing Shares were originally issued.

### **Further Terms, Confirmations and Warranties**

In accepting the Placing Participation referred to in the Placing Proof Admission Document, you make the following confirmations, acknowledgements, warranties and/or undertakings to Mirabaud and the Company and their respective directors/agents and advisers:

- 1 You represent and warrant that you have read this Appendix I in its entirety and acknowledge that your participation in the Placing will be governed by the terms, conditions, representations, warranties, acknowledgements, agreements and undertakings of this Appendix I.
- 2 You acknowledge and agree that your acceptance of your Placing Participation on the terms set out in the Placing Proof Admission Document and this Appendix I is legally binding, irrevocable and is not capable of termination or rescission by you in any circumstances.
- 3 You confirm, represent and warrant that you have not relied on, received nor requested nor do you have any need to receive, any prospectus, offering memorandum, listing particulars or any other document, other than the Placing Proof Admission Document describing the business and affairs of the Company which has been prepared for delivery to prospective investors in order to assist them in making an investment decision in respect of the Placing Shares, any information given or any representations, warranties agreements or undertakings (express or implied), written or oral, or statements made at any time by the Company or Mirabaud or by any subsidiary, holding company, branch or associate of the Company or Mirabaud, or any of their respective officers, directors, agents, employees or advisers, or any other person in connection with the Placing, the Company and its subsidiaries or the Placing Shares and that in making your application under the Placing you will be relying solely on the information contained in the Admission Document when published and this Appendix I and you will not be relying on any agreements by the Company and its subsidiaries or

Mirabaud or any director, employee or agent of the Company or Mirabaud other than as expressly set out in the Admission Document when published and this Appendix I for which none of Mirabaud, the Company or any of their directors and/or employees and/or person(s) acting on behalf of any of them shall to the maximum extent permitted under law have any liability except in the case of fraud.

- 4 You confirm, represent and warrant that you are sufficiently knowledgeable to understand and be aware of the risks associated with, and other characteristics of, the Placing Shares and, among others, of the fact that you may not be able to resell the Placing Shares except in accordance with certain limited exemptions under applicable securities legislation and regulatory instruments.
- 5 You confirm, represent and warrant, if a company, that you are a valid and subsisting company and have all the necessary corporate capacity and authority to execute your obligations in connection with the Placing Participation.
- 6 You agree that the exercise by Mirabaud or Strand Hanson of any right of termination or any right of waiver exercisable by Mirabaud or Strand Hanson contained in the Placing Agreement or the exercise of any discretion including without limitation the right not to enter into the Placing Agreement is within the absolute discretion of Mirabaud or Strand Hanson and Mirabaud or Strand Hanson will not have any liability to you whatsoever in connection with any decision to exercise or not exercise any such rights. You acknowledge that if (i) any of the conditions in the Placing Agreement are not satisfied (or, where relevant, waived) or (ii) the Placing Agreement is terminated or (iii) the Placing Agreement does not otherwise become unconditional in all respects, the Placing will lapse and your rights and obligations hereunder shall cease and determine at such time and no claim shall be made by you in respect thereof.
- 7 You acknowledge and agree that Mirabaud is not acting for, and that you do not expect Mirabaud to have any duties or responsibilities towards, you for providing protections afforded to its customers or clients under the Financial Conduct Authority Conduct of Business Source Book or advising you with regard to your Placing Participation and that you are not, and will not be, a customer or client of Mirabaud as defined by the Financial Conduct Authority Conduct of Business Source Book. Likewise, we will not treat any payment by you pursuant to this agreement as client money governed by the Financial Conduct Authority Conduct of Business Source Book.
- 8 You undertake and agree that you will be responsible for any stamp duty or stamp duty reserve tax and that neither Mirabaud nor the Company will be responsible for any liability to stamp duty or stamp duty reserve tax.
- 9 You confirm, represent and warrant that you may lawfully acquire the Placing Shares comprising your Placing Participation and that you have complied with and will comply with all applicable provisions of FSMA with respect to anything done by you in relation to the Placing Shares in, from or otherwise involving, the United Kingdom.
- 10 The agreement confirmed by the Placing Proof Admission Document is a legally binding contract and the Terms and Conditions of your Placing Participation will be governed by, and construed in accordance with, the laws of England and Wales to the exclusive jurisdiction of whose courts you irrevocably agree to submit.
- 11 You acknowledge and agree that time shall be of the essence as regards obligations pursuant to the contract.
- 12 It is the responsibility of any person outside of the United Kingdom wishing to subscribe for or purchase Placing Shares to satisfy himself that, in doing so, he complies with the laws of any relevant territory in connection with such subscription or purchase and that he obtains any requisite governmental or other consents and observes any other applicable formalities.
- 13 You acknowledge and agree that the Placing Proof Admission Document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, Placing Shares in any jurisdiction in which such an offer or solicitation is unlawful. Accordingly, you acknowledge and agree that the

Placing Shares may not, subject to certain limited exceptions, be offered or sold, directly or indirectly, into the United States, any province of Canada or Australia, Japan, the Republic of South Africa or the Republic of Ireland or offered or sold to, or for the account or benefit of, a national, citizen or resident of the United States, any province of Canada or Australia, Japan, the Republic of South Africa or the Republic of Ireland, subject to limited exemptions.

- 14 You acknowledge and agree that the Placing Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or jurisdiction of the United States, or the relevant Canadian, Japanese, Australian, South African or Irish securities legislation and therefore the Placing Shares may not be offered, sold, transferred or delivered directly or indirectly into the United States, Canada, Japan, Australia, the Republic of South Africa or the Republic of Ireland or their respective territories and possessions, subject to limited exemptions, and in the case of the United States, pursuant to an exemption from, or in a transaction not subject to the registration requirements of, the Securities Act and in compliance with United States securities laws.
- 15 You warrant that you have complied with all relevant laws of all relevant territories, obtained all requisite governmental or other consents which may be required in connection with your Placing Participation, complied with all requisite formalities and that you have not taken any action or omitted to take any action which will or may result in Mirabaud, the Company or any of their respective directors, officers, agents, employees or advisers acting in breach of the legal or regulatory requirements of any territory in connection with the Placing or your application.
- 16 You acknowledge and agree that your purchase of Placing Shares does not trigger, in the jurisdiction in which you are resident or located: (i) any obligation to prepare or file a prospectus or similar document or any other report with respect to such purchase; (ii) any disclosure or reporting obligation of the Company; or (iii) any registration or other obligation on the part of the Company.
- 17 You are acting as principal and for no other person and that your acceptance of the Placing Participation will not give any other person a contractual right to require the issue by the Company of any Placing Shares.
- 18 You warrant that in accepting your Placing Participation you are not applying for registration as, or as a nominee or agent for, a person who is or may be a person mentioned in sections 67 to 72 inclusive and sections 93 to 97 inclusive of the Finance Act 1986.
- 19 You confirm that, to the extent applicable to you, you are aware of your obligations in connection with the Criminal Justice Act 1993, the Terrorism Act 2006, the UK Anti Terrorism Crime and Security Act 2001, the Money Laundering Regulations 2007, the Proceeds of Crime Act 2002 and Part VIII of the Financial Services and Markets Act 2000 (as amended), you have identified your clients in accordance with the Money Laundering Regulations 2007 and you have complied fully with your obligations pursuant to those Regulations.
- 20 All times and dates in this Placing Proof Admission Document and the Terms and Conditions set out in this Appendix I, may be subject to amendment and Mirabaud shall notify you of any such amendments.
- 21 You acknowledge and agree that no term of the agreement confirmed by the Placing Proof Admission Document shall be enforceable under the Contracts (Rights of Third Parties) Act 1999 by any person other than the Company or any affiliate of Mirabaud.
- 22 You acknowledge that any of your monies held or received by Mirabaud will not be subject to the protections conferred by the FCA's Client Money Rules.
- 23 You understand that the Placing Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, accordingly, may not be offered or sold or otherwise transferred in the United States or to, or for the account or benefit of, US Persons except pursuant to a registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act, and, in connection with

any such transfer, the Company will have the right to obtain, as a condition to transfer, a legal opinion of counsel, in form and by counsel reasonably satisfactory to the Company, that no such Securities Act registration is or will be required along with appropriate certifications by the transferee as to the Accredited Investor status and/or other appropriate matters.

- 24 You have not distributed, forwarded, transferred or otherwise transmitted this Placing Proof Admission Document or any other presentation or offering materials concerning the Placing Shares within the United States or to any US Person, nor will you do any of the foregoing. You understand that the information in this Placing Proof Admission Document, including financial information, may be materially different from any disclosure that would be provided in a US offering.
- 25 If you are not purchasing the Placing Shares in the United States, you agree, represent and warrant as follows:
- 25.1 You are, at the time of the offer and acceptance of the Placing Shares, outside the United States for the purposes of Regulation S;
- 25.2 You are not a US Person and are not acquiring the Placing Shares for the account or benefit of a US Person;
- 25.3 You will not offer or sell the Placing Shares in the United States or to US Persons absent registration or an exemption from registration under the Securities Act;
- 25.4 You will not offer or sell the Placing Shares to a US Person or for the account or benefit of a US Person until 40 days after the later of the commencement of the Placing or the date on which such Placing Shares were originally issued unless pursuant to an available exemption from the registration requirements of the Securities Act. You will send to each distributor (as defined in Section 2(a)(12) of the Securities Act) or person receiving a selling concession, fee or other remuneration in respect of the securities sold, prior to the expiration of a 40-day distribution compliance period, a confirmation or other notice to the purchaser stating that the purchaser is subject to the same restrictions on offers and sales that apply to a distributor;
- 25.5 You are aware that the Placing Shares are being offered outside the United States in reliance on Regulation S;
- 25.6 If you offer or sell the Placing Shares prior to the 40-day compliance period, such offer or sale shall be made only in accordance with the provisions of Rule 903 or 904 under the Securities Act, pursuant to registration of the Placing Shares under the Securities Act, or pursuant to an available exemption from the registration requirements of the Securities Act;
- 25.7 You did not purchase or otherwise acquire the Placing Shares based on or due to directed selling efforts (as defined in Rule 902 under the Securities Act), including based on an advertisement in a publication with a general circulation in the United States, nor have you seen or been aware of any activity that, to your knowledge, constitutes directed selling efforts in the United States;
- 25.8 You will inform each purchaser who purchases the Placing Shares from you of the transfer restrictions stated herein and that if in the future such purchaser decides to offer, resell, pledge, or otherwise transfer such Placing Shares, any offer, resale or transfer must be made in compliance with the Securities Act;
- 25.9 You are not a Plan (which term includes (a) employee benefit plans that are subject to Section 406 of the US Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), or plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the US Internal Revenue Code of 1986, as amended (the “**Code**”), (b) plans, individual retirement accounts and other arrangements that are subject to provisions under applicable US federal, state, local or other laws or regulations that are substantially similar to Section 406 of the ERISA or Section 4975 of the Code (“**Similar Laws**”) and (c) entities the underlying assets

of which are considered to include “ plan assets” of such plans, accounts and arrangements) and are not purchasing the Placing Shares on behalf of, or with the “plan assets” of, any Plan.

26. If you are purchasing the Placing Shares in the United Kingdom, you are a person falling within the exemption contained in Section 86(1)(a) of the Financial Services and Markets Act 2000 (as amended) or falling within one or more of the categories of persons set out in Article 19 (Investment Professionals) or Article 49 (High net worth companies, unincorporated associations etc.) of the Order.
27. If you are purchasing the Placing Shares in a Regulation D Placing, you agree, represent and warrant as follows:
  - 27.1 You are an Accredited Investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act;
  - 27.2 You are not a Plan (which term includes (a) employee benefit plans that are subject to Section 406 of the US Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the US Internal Revenue Code of 1986, as amended (the “Code”), (b) plans, individual retirement accounts and other arrangements that are subject to provisions under applicable US federal, state, local or other laws or regulations that are substantially similar to Section 406 of the ERISA or Section 4975 of the Code (“Similar Laws”) and (c) entities the underlying assets of which are considered to include “plan assets” of such plans, accounts and arrangements) and are not purchasing the Placing Shares on behalf of, or with the “plan assets” of, any Plan;
  - 27.3 You agree that the Company may require a certification from you in support of any transfer, in form and substance satisfactory to the Company, and agree that the Company, the Registrar, CREST or any transfer agent may reasonably require additional evidence or documentation supporting compliance with applicable securities laws, and prior to any sale or transfer, the Company may require the delivery of such certifications, notifications, agreements and warranties and legal opinions of duly qualified counsel as it may reasonably require (including but not limited to the transferees that are not US Persons) to confirm that the proposed sale or other transfer complies with the foregoing restrictions;
  - 27.4 You acknowledge that the Company reserves the right to make inquiries of any holder of the Placing Shares or interests therein at any time as to such person’s status under the US securities laws, and to require any such person that has not satisfied the Company that such person is holding appropriately under the US securities laws to transfer such Placing Shares or interests therein immediately to the Company;
  - 27.5 If you are acquiring the Placing Shares for the account of one or more other persons, you have sole investment discretion with respect to each such account and have full power and authority to make the confirmations, acknowledgements, warranties and undertakings herein on behalf of each such account;
  - 27.6 You are purchasing the Placing Shares for your own account or for one or more investment accounts for which you are acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Placing Shares in any manner that would violate the Securities Act or otherwise cause the Company’s assets to become subject to ERISA;
  - 27.7 You understand and acknowledge that neither the Company nor any of its respective affiliates, makes any representation as to the availability of any exemption under the Securities Act for the reoffer, resale, pledge or transfer of the Placing Shares;
  - 27.8 You agree that the Placing Shares are “restricted securities” for US securities law purposes which may not be deposited into any unrestricted depository facility established or maintained by a depository bank. As such, you agree not to offer or sell the Placing Shares to any person

other than in compliance with the following restrictions which apply to all your Placing Shares and which shall be affixed in the form of a legend to any certificates of Placing Shares:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE (OR ITS PREDECESSOR) HAVE NOT BEEN REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION IN THE UNITED STATES, AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED, HEDGED OR OTHERWISE TRANSFERRED, EXCEPT (A) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT (AND IS NOT ACTING IN A PREARRANGED TRANSACTION RESULTING IN THE RESALE OF THESE SECURITIES INTO THE UNITED STATES); (B) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT; (C) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT; OR (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, SUBJECT, IN THE CASES OF CLAUSES (A), (B) AND (C), TO THE RIGHT OF THE ISSUER TO OBTAIN, IF THE ISSUER SO REQUESTS, AN OPINION, IN FORM AND SUBSTANCE AND FROM COUNSEL SATISFACTORY TO THE ISSUER AT THE EXPENSE OF THE HOLDER OF THIS CERTIFICATE, WHICH PROVIDES THAT SUCH OFFER, SALE, PLEDGE, HEDGE OR TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT AND ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION.

EXCEPT AS OTHERWISE DETERMINED BY THE ISSUER, THE SECURITIES REPRESENTED BY THIS CERTIFICATE (OR ITS PREDECESSOR) MAY NOT BE DEMATERIALIZED INTO CREST OR ANY OTHER PAPERLESS SYSTEM UNLESS THE PARTY REQUESTING SUCH DEMATERIALIZATION FIRST OBTAINS A LETTER FROM THE TRANSFEREE STATING THAT SUCH TRANSFEREE IS NOT A US PERSON (AND IS NOT ACTING IN A PREARRANGED TRANSACTION RESULTING IN THE RESALE OF THESE SECURITIES INTO THE UNITED STATES) OR MAKES SUCH OTHER REPRESENTATIONS REQUESTED BY THE ISSUER.”

The Placee agrees, on its own behalf and on behalf of any accounts for which the Placee is acting, that, if the Placee should offer, resell, pledge or otherwise transfer any Regulation D Placing Shares, it will do so only (i) in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S under the Securities Act (and not in a prearranged transaction resulting in the resale of such Regulation D Placing Shares into the US), (ii) in a transaction meeting the requirements of Rule 144 under the Securities Act, (iii) in accordance with another exemption from the registration requirements of the Securities Act, or (iv) pursuant to an effective registration statement under the Securities Act, provided that the Placee notify the Company of such proposed transaction and that the Placee intends to make such sale in accordance with the terms of this paragraph, and that such offer, resale, pledge or transfer must, and will, be made in accordance with any applicable securities laws of any US state or other jurisdiction of the United States. The Placee understands and acknowledges that any offer, resale, pledge or transfer made other than in compliance with the restrictions contained in this paragraph may not be recognised by the Company;

27.9 The Regulation D Placing Shares shall only be eligible for settlement as Depository Interests through CREST if approved by the Company, and, if requested by the Company, the purchaser provides a signed letter addressed to the Company, containing certain representations regarding compliance with US securities laws;

27.10 You have not purchased the Regulation D Placing Shares as a result of “general solicitation” or “general advertising” (within the meaning of Rule 502(c) under the Securities Act), including advertisements, articles, research reports, notices or other communications published in any

newspaper, magazine, on a website or in or on any similar media, or broadcast over radio or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising; and

- 27.11 You will inform each purchaser who purchases the Regulation D Placing Shares from you of the transfer restrictions stated herein and that if in the future such purchaser of the Regulation D Placing Shares decides to offer, resell, pledge, or otherwise transfer such Placing Shares, any offer, resale or transfer must be made in compliance with the Securities Act.
28. In making the investment decision with respect to the Placing Shares, you have:
- 28.1 not relied on the Company or any of its respective affiliates;
  - 28.2 the ability to bear the economic risk of your investment in the Placing Shares and have no need for liquidity with respect to your investment in the Placing Shares;
  - 28.3 such knowledge and experience in financial and business matters that you are capable of evaluating the merits, risks and suitability of investing in the Placing Shares, and are able to sustain a complete loss of any investment in the Placing Shares;
  - 28.4 had access to such financial and other information concerning the Company and the Placing Shares as you deem necessary in connection with your decision to purchase the Placing Shares; and
  - 28.5 investigated independently and made your own assessment and satisfied yourself concerning the relevant tax, legal, currency and other economic considerations relevant to your investment in the Placing Shares, including any federal, state and local tax consequences, affecting you in connection with your purchase and any subsequent disposal of the Placing Shares.

You acknowledge that the Company, Strand Hanson, Mirabaud, CREST, the Registrar, any transfer agent, any distributors or dealers and their respective affiliates and others will rely on the truth and accuracy of the foregoing warranties, acknowledgements, representations, undertakings and agreements, and you agree to notify the Company, Strand Hanson and Mirabaud promptly in writing if any of your warranties, acknowledgements, representations, undertakings or agreements herein cease to be accurate and complete and to indemnify and hold harmless the Company, Strand Hanson and Mirabaud and any of their respective officers, directors, agents, employees or advisers (the “**Indemnified Persons**”) from and against any and all loss, damage, liability or expense, including reasonable costs and attorneys’ fees and disbursements, which an Indemnified Person may incur by reason of, or in connection with, any representation or warranty made herein not having been true when made, any misrepresentation made or any failure by you to fulfil any of the undertakings or agreements set forth herein or any other document you provide to the Company, Strand Hanson or Mirabaud. You irrevocably authorise each of the Company, Strand Hanson and Mirabaud to produce a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

### **CREST and certificated Placing Shares**

Placing Shares will, once the Placing Shares are issued, be admitted to CREST through Depositary Interests with effect from Admission. Placees will receive Depositary Interests in respect of Placing Shares placed with them in uncertificated form registered in their CREST member account. Alternatively, those Placees who wish to receive their Placing Shares in certificated form should contact Edward Haig-Thomas at Mirabaud (WI: +44 020 7878 3447) and are expected to receive their certificates for their Placing Shares by no later than 22 May 2013. If you do not provide any CREST details or if you provide insufficient CREST details to match within the CREST system to your details, Mirabaud may at its discretion deliver your Placing Participation in certificated form provided payment has been made in terms satisfactory to Mirabaud and all conditions in relation to the Placing have been satisfied or waived.

The Terms and Conditions set out in this Appendix I and the Placing Proof Admission Document of which it forms part have been issued by the Company and are the sole responsibility of the Company.



# LEKOIL



[www.lekoil.com](http://www.lekoil.com)

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