

**MAUREL & PROM NIGERIA**

A French limited liability company (*société anonyme*) with a share capital of EUR 133,433,534.30

Registered office: 12 rue Volney, 75002 Paris

R.C.S. Paris 517 518 247

**ENGLISH LANGUAGE TRANSLATION  
FOR INFORMATION PURPOSES ONLY**

**This document is a free translation of the French language prospectus that received from the *Autorité des marchés financiers* (the "AMF") visa number 11-511 on 4 November 2011. It has not been approved by the AMF. This translation has been prepared solely for the information and convenience of shareholders of Etablissements Maurel & Prom S.A. No assurances are given as to the accuracy or completeness of this translation, and Etablissements Maurel & Prom and Maurel & Prom Nigeria assume no responsibility with respect to this translation or any misstatement or omission that may be contained therein. In the event of any ambiguity or discrepancy between this translation and the French Prospectus, the French Prospectus shall prevail.**

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### **PROSPECTUS PREPARED IN CONNECTION WITH THE ADMISSION OF MAUREL & PROM NIGERIA SHARES TO TRADING ON THE REGULATED MARKET OF NYSE Euronext IN PARIS WITHIN THE CONTEXT OF THE ALLOCATION OF MAUREL & PROM NIGERIA SHARES TO THE SHAREHOLDERS OF ETABLISSEMENTS MAUREL & PROM**



Pursuant to Articles L. 412-1 and L. 621-8 of the French Monetary and Financial Code and Articles 211-1 to 216-1 of its General Regulations, the French *Autorité des Marchés Financiers* (AMF) approved the present prospectus under number 11-511 on 4 November 2011. This prospectus has been issued by Etablissements Maurel & Prom and Maurel & Prom Nigeria; the signatories of this prospectus assume responsibility for its contents pursuant to section 1 hereunder. In accordance with the provisions of Article L. 621-8-1-I of the French Monetary and Financial Code, this approval was issued further to a verification by the AMF that this document is complete and comprehensible and that the information it contains is consistent. It does not imply that the AMF endorses the proposed transaction or that it has validated the financial and accounting items presented in this document.

Copies of this prospectus may be obtained free of charge from Maurel & Prom Nigeria (12 rue Volney, 75002 Paris) and Etablissements Maurel & Prom (12 rue Volney, 75002 Paris), as well as from the websites of Maurel & Prom Nigeria ([www.mpnigeria.com](http://www.mpnigeria.com)), Etablissements Maurel & Prom ([www.maureletprom.fr](http://www.maureletprom.fr)) and the AMF ([www.amf-france.org](http://www.amf-france.org)).

## NOTICE

### *Preliminary remarks*

In this prospectus:

- The terms "**Maurel & Prom Nigeria**" or the "**Company**" mean Maurel & Prom Nigeria as more fully described in section 5.1.1 of this prospectus;
- The term "**Seplat**" means Seplat Petroleum Development Company Limited, more fully described in section 5.1.2 of this prospectus;
- The term "**Maurel & Prom**" means Etablissements Maurel & Prom SA, a French limited liability company (*société anonyme*) with a share capital of EUR 93,476,253.64 having its registered office at 12 rue Volney, 75002 Paris, and registered with the Paris Trade and Companies Register (*Registre du Commerce et des Sociétés*) under number 457 202 331;
- The term "**Maurel & Prom Group**" means the Maurel & Prom group, namely Maurel & Prom and all of the subsidiaries and interests directly or indirectly held by Maurel & Prom;
- The term "**Shebah**" means Shebah Petroleum (JV) Limited (BVI), more fully described in section 5.1.2.5(a) of this prospectus;
- The term "**Platform**" means Platform Petroleum (JV) Limited (BVI), more fully described in section 5.1.2.5(b) of this prospectus;
- The term "**Partners**" means Shebah and Platform, together with their respective holding companies, the Nigerian companies Shebah Petroleum Development Company Limited and Platform Joint Ventures, as more fully described in section 5.1.2.5 of this prospectus;
- The term "**Pacifio**" means the *Compagnie de Participations Commerciales Industrielles et Financières – Pacífico*, a French limited liability company (*société anonyme*) with a share capital of EUR 1,196,736.48 euros having its registered office at 12, rue Volney 75002 Paris and registered with the Paris Trade and Companies Register (*Registre du Commerce et des Sociétés*) under number 362 500 274; and
- The term "**Distribution**" means the distribution of all Company shares to the shareholders of Maurel & Prom that is the subject of this prospectus, which is more fully described in section 26.1 of this prospectus.

A glossary defining the technical terms used in this prospectus is included at the end of this document.

### *Approval by the shareholders of Maurel & Prom*

Please note that the implementation of the Distribution is subject to the approval of the shareholders of Maurel & Prom, convened to meet on 12 December 2011 at an ordinary general meeting, by a resolution to be carried by simple majority vote of the shareholders present or represented. There is a possibility that this legal majority may not be met at the ordinary general meeting of Maurel & Prom and, as a result, that the Distribution may not take place. If this is the case, the Company's shares will not be admitted to trading on the regulated market of NYSE Euronext in Paris.

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

This prospectus contains "forward-looking statements", within the meaning of Section 27A of the US Securities Act of 1933 (the "**Securities Act**") and Section 21E of the US Securities Exchange Act of 1934 (the "**Exchange Act**"), regarding the belief or current expectations of the Company, its Directors and other members of its senior management about the Company's outlook and development strategies as well as the transactions described in this prospectus, particularly in section 10.4.1 of this prospectus. These indications may be identified by the use of the future or conditional tenses or by forward-looking terminology such as "consider", "envision", "think", "have the objective of", "anticipate", "intend", "should", "aspire", "estimate", "believe", "hope" and "may" or, where applicable, the negative form of these terms or any other variation thereof or comparable terminology. These indications are not historical data and should not be construed as an assurance that the facts and data presented will arise. They are based on data, assumptions and estimates that are considered to be reasonable by the Company. This information may change or be altered due to uncertainties relating, among others, to the economic, financial, competitive and regulatory environment. They are given in various sections of this prospectus and contain data relating to the Company's intentions, estimates and objectives, particularly those concerning the market in which it operates and its strategy, growth, results, financial position, cash flow and forecasts. The forward-looking statements contained in this prospectus are current as at the prospectus date. These statements are further qualified by the risk factors disclosed in this prospectus that could cause actual results to differ materially from those in the forward-looking statements. The Company cannot anticipate all risks, uncertainties or other factors that may affect its business, their potential impact on its business or even the extent to which the realisation of a risk or combination of risks could lead to results significantly different from those mentioned in the forward-looking statements, it being specified that no forward-looking statement constitutes a guarantee of actual performance.

The Company makes no commitment and gives no assurance as to the fulfilment of the objectives and forecasts set forth in this prospectus. From the date of the AMF's approval of this prospectus and the date set for the admission of Maurel & Prom Nigeria shares to trading on the regulated market of NYSE Euronext in Paris, the Company will communicate to the market all updated information that could have a material impact on its business, financial position, future prospects or results, in compliance with the applicable regulations. From the date on which the shares are listed on the regulated market of NYSE Euronext in Paris, the Company will comply with the obligations to provide information applicable to all companies listed on the regulated market of NYSE Euronext in Paris.

### ***Equality of access to information***

The information set out in this prospectus, considered on the date of the said prospectus, is such that equality of access to information between the different shareholders can be maintained with respect to the Company in every significant point.

### ***Risk factors***

This prospectus includes risk factors, described in section 4 "Risk factors", which should be carefully considered. Should all or some of these risks be realised, they could have a significant adverse impact on the Company and its business, image, financial position, results or ability to fulfil its objectives.

\* \* \*

As no securities are being offered for sale or subscription within the context of the Distribution, this prospectus was prepared solely for the purposes of admission of the Company's shares to trading on the regulated market of NYSE Euronext in Paris and does not constitute (i) a public or private offer for sale or subscription or a solicitation of an offer for the purchase or subscription of Maurel & Prom Nigeria shares described in this prospectus or (ii) a solicitation with a view to obtaining consent or a favourable vote for the approval of the transactions described in this prospectus or (iii) any other transaction, particularly a solicitation, in any jurisdiction in which such a transaction is not authorised by the laws of that jurisdiction.

**The Company's shares have not been and are not required to be registered under the Securities Act. The Company's shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Company's shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.**

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

The holding of the Company's shares by an employee benefit plan subject to the US Employee Retirement Income Security Act of 1974 or a plan subject to Section 4975 of the US Internal Revenue Code of 1986, as amended, or by any entity whose assets are treated as assets of any such plan, could result in severe penalties or other liabilities for the holder, the Company and the directors. Each holder and subsequent transferee of any of the Company's shares will therefore be deemed to have represented and warranted that it is not such a plan or entity, unless otherwise agreed by the Company. This document does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Company's shares offered by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

#### *Shareholders in the United States*

Shareholders are advised that the Company's shares will not be, nor are they required to be, registered under the Securities Act. The Company has not been and will not be registered under the Exchange Act. The company intends to comply with the information supplying requirements of Rule 12g3-2(b) under the Exchange Act, which would require it to publish on its website information that: (a) it has made or is required to make public in France; (b) it has filed or is required to file with NYSE Euronext; (c) and which is made public by the AMF; or (c) it has distributed or is required to distribute to its shareholders.

Securities to be issued to Shareholders pursuant to the Distribution generally should not be treated as "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and persons who receive securities in the distribution may resell them without restriction under the Securities Act. However, Shareholders who are affiliates (within the meaning of the Securities Act) of the

Company before implementation of the distribution or are affiliates of the Company after implementation of the distribution will be subject to timing, manner of sale and volume restrictions on the sale in the United States of the Company's shares received in connection with the distribution, pursuant to Rule 144 under the Securities Act. Persons who believe they may be affiliates of the Company should consult their own legal advisers before any sale of the Company's shares received as part of the distribution.

The Company's shares are expected to be listed on the regulated market of NYSE Euronext in Paris. The Company does not intend to list the Company's shares on a US securities exchange or obtain a quotation for the Company's shares on any inter-dealer quotation system in the United States or to take any other action to facilitate the creation of a market in the Company's shares in the United States. Consequently, it is unlikely that an active trading market in the United States will develop for the Company's shares.

No share or security can be offered, sold or transferred in the United States of America without being registered or exempted to the registration under the 1933 U.S. Securities Act, as amended. Maurel and Prom Nigeria's shares which are concerned by the Distribution have not been and are not required to be registered under the US Securities Act of 1933, as amended. The Company's shares have not been approved or disapproved by the US Securities and Exchange Commission, or by any other state securities commission in the United States or and none of the foregoing authorities passed upon or endorsed the merits of the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

#### *Shareholders in the United Kingdom*

This prospectus is being distributed to and directed only at (i) persons having professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended the "**Order**"), (ii) high net worth companies, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2) of the Order or (iii) existing shareholders of Etablissements Maurel & Prom. Any investment or investment activity to which this prospectus relates is available only to and will be engaged in only with such persons. Persons within the United Kingdom who receive this prospectus (other than persons falling within (i) and (ii) above or Etablissements Maurel & Prom existing shareholders) should not rely on or act upon this prospectus.

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## SUMMARY OF THE PROSPECTUS

Approved by the AMF under number 11-511 on 4 November 2011

### Disclaimer

This summary should be read as an introduction to the prospectus. Any decision to invest in the securities that are the subject of the transaction should be based on an exhaustive review of the prospectus. Where a claim relating to information contained in a prospectus is brought before a court, the claimant investor may have to bear the cost of translating the prospectus prior to the start of the judicial proceedings in accordance with the national law of the Member States of the European Union or parties to the Agreement on the European Economic Area. Persons submitting a summary, including, as applicable, its translation, and requesting notice thereof under Article 212-41 of the AMF General Regulations, are only subject to civil liability if the content of the summary is misleading, inaccurate or contrary to the other parts of the prospectus.

The prospectus was prepared for the admission of the Company's shares to trading on the regulated market of NYSE Euronext in Paris and does not constitute (i) a public or private offer for sale or subscription or a solicitation of an offer for the purchase or subscription of the shares described in this prospectus or (ii) a solicitation with a view to obtaining consent or a favourable vote for the approval of the transactions described in this prospectus.

### 1. Information on the Company

#### 1.1 Corporate name

Maurel & Prom Nigeria is a French limited liability company (*société anonyme*) with a board of directors governed by French law.

The ICB sector code of Maurel & Prom Nigeria is "0533 – Exploration & Production".

#### 1.2 Overview of Company activities

The Company and Seplat, a Nigerian company in which the Company holds a 45% interest, operate in the upstream sector of the oil and gas industry, more precisely in the area of onshore hydrocarbon exploration and production in Nigeria under Oil Mining Licenses 4, 38 and 41, in which Seplat holds 45% of the rights, with the remaining 55% being held by the Nigerian Petroleum Development Company. Seplat also holds significant natural gas resources which have not yet been developed.

During the first half of 2011, the average production based on well outflow reached 36.7 Mbbl/d for 100% of the rights in Oil Mining Licenses 4, 38 and 41 and an average entitlement of 24.5 Mbbl/d was acknowledged.

According to the Gaffney, Cline & Associates Competent Person's Report on the Oil Mining Licenses 4, 38 and 41 dated 1<sup>st</sup> November 2011, the proved (1P), proved and probable (2P) and proved and probable and possible reserves (3P) in oil and condensate of Oil Mining Licenses 4, 38 and 41 as at 30 June 2011 are respectively 57.15 MMbbl (100% basis, before royalties), 152.70 MMbbl (100% basis, before royalties) and 199.46 MMbbl (100% basis, before royalties). The 1C, 2C and 3C contingent resources in oil and condensate of Oil Mining Licenses 4, 38 and 41 estimated by this appraiser as at 30 June 2011 are respectively 133.71 MMbbl (100% basis, before royalties), 279.75 MMbbl (100% basis, before royalties) and 450.40 MMbbl (100% basis, before royalties).

In addition, the Company states that information concerning resources used for the acquisition of OMLs 4, 38, and 41 in 2010 referred to additional oil and condensate 1C and 2C contingent resources for Oil Mining License 38 respectively amounting to 8.14 MMbbl and 15.47 MMbbl. These contingent resources come in addition to those mentioned in the previous paragraph. The latter resources have not been estimated by Gaffney, Cline & Associates in its Competent Person's Report on the Oil Mining Licenses 4, 38 and 41 dated 1 November 2011.

### 1.3 Selected financial information

The financial data presented below concern the Company and its 45% equity interest in Seplat on a consolidated basis as at 31 December 2010 and as at 30 June 2011.

The key figures of the Company's consolidated profit and loss statement as at 31 December 2010 and as at 30 June 2011 are as follows:

<i>in thousands of EUR</i>	<b>31/12/2010</b>	<b>30/06/2011</b>
<b>Sales</b>	<b>28,480</b>	<b>72,022</b>
Operating expenses	(13,036)	(24,681)
<b>Gross operating surplus*</b>	<b>15,444</b>	<b>47,341</b>
Amortisations for depletion	(3,910)	(7,844)
Other operating expenses	(2)	(2,428)
<b>Operating income</b>	<b>11,532</b>	<b>37,069</b>
Financial income	(2,654)	(11,319)
<b>Income before tax</b>	<b>8,878</b>	<b>25,750</b>
Income tax	(7,433)	(23,552)
<b>Net income, Company share</b>	<b>1,445</b>	<b>2,198</b>

\* The gross operating surplus corresponds to the gross margin net of taxes (excluding corporation tax) and personnel expenses, on a consolidated basis.

In 2010, the Company's gross operating surplus margin amounted to 54.2%, compared with 65.7% in the first half of 2011 whereas the operating margin for 2010 was 40.5%, compared with 51.5% for the first half of 2011.

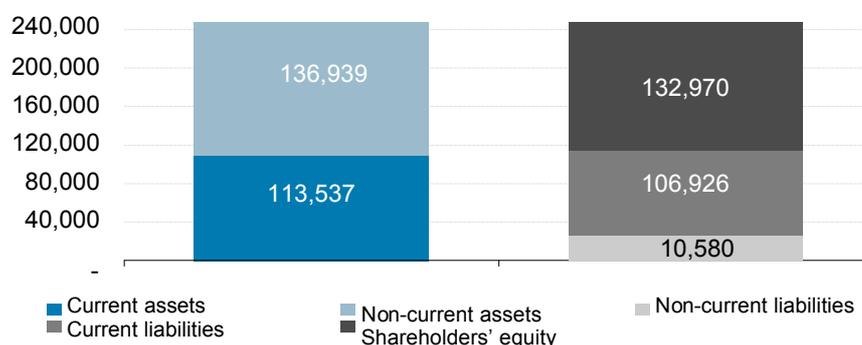
During Q3 2011 (30 September 2011), the sales of the Company amounted to EUR 37.6 million. During the first three quarters of the year 2011, the sales of the Company amounted to EUR 108.4 million.

The key figures in the Company's consolidated cash flow statement as at 31 December 2010 and 30 June 2011 are as follows:

<i>in thousands of EUR</i>	<b>31/12/2010</b>	<b>30/06/2011</b>
<b>Cash flow before tax</b>	<b>20,772</b>	41,562
Payment of tax due	(1,988)	(7,856)
Change in working capital requirements for operations	(66,102)	(7,634)
<b>Net cash flow from operating activities</b>	<b>(47,318)</b>	<b>26,072</b>
Disbursements for acquisitions of property, plant and equipment and intangible assets	(139,985)	(901)
<b>Net cash flow from investment activities</b>	<b>(139,985)</b>	<b>(901)</b>
Amounts received from shareholders for capital increases	133,397	0
Proceeds from new loans	71,738	63,349
Interest paid	(6,036)	(2,826)
Repayment of loans	0	(67,845)
<b>Net cash flow from financing activities</b>	<b>199,099</b>	<b>(7,322)</b>
Impact of exchange rate movements	(1,555)	2,982
<b>Change in net cash</b>	<b>10,242</b>	<b>20,831</b>
Cash at beginning of period	37	10,279
<b>Net cash and cash equivalents at end of period</b>	<b>10,279</b>	<b>31,110</b>

The accounting item "Amounts received from shareholders for capital increases" corresponds to the funds received from two successive increases in the Company's share capital, to which Maurel & Prom subscribed, on 15 November 2010, in amounts of EUR 3,700 and EUR 133,392,834.30 respectively.

The major items of the Company's consolidated balance sheet as at 30 June 2011 are as follows (in thousands of EUR):



As at 30 June 2011, the consolidated shareholders' equity of the Company represented 53.1 % of the total liabilities in the balance sheet. Prior to the Maurel & Prom general meeting called to decide on the Distribution described in section 26.1 of the prospectus, the Company's consolidated shareholders' equity will be increased by an amount of EUR 105 million euros through a capital increase subscribed by Maurel & Prom as part of preliminary transactions described in section 26.1.7 of the prospectus.

1.4 Consolidated shareholders' equity and indebtedness of the Company as at 30 June 2011  
(in thousands of EUR)

<b>Current debt</b>	<b>75,814</b>
- Guaranteed	0
- Secured	0
- Unguaranteed/unsecured	0
<b>Non-current debt</b>	<b>0</b>
- Guaranteed	0
- Secured	0
- Unguaranteed/unsecured	0
<b>Shareholders' equity, Company share</b>	<b>130,909</b>
- Share capital	133,434
- Legal reserve	1,443
- Other reserves	(3,968)
<b>Analysis of net financial debt</b> (in thousands of EUR)	
A. Cash	53,289
B. Cash equivalents	0
C. Investment securities (net asset value)	0
<b>D. Liquidity (A)+(B)+(C)</b>	<b>53,289</b>
<b>E. Current financial receivable</b>	<b>60,887</b>
F. Current bank debt (of which reclassified long-term debt)	75,814
G. Current portion of non-current debt	0
H. Other current financial debt	0
<b>I. Current financial debt (F)+(G)+(H)</b>	<b>75,814</b>
<b>J. Net current financial indebtedness (I)-(E)-(D)</b>	<b>(38,362)</b>
K. Non-current bank loans	0
L. Bonds issued	0
M. Other non-current loans	0
N. Non-current financial indebtedness (K)+(L)+(M)	0
<b>O. Net financial indebtedness (J)+(N)</b>	<b>(38,362)</b>

As at the date of the prospectus, no indirect or conditional debts exist. Furthermore, since 30 June 2011 there has not been any notable change that could have a significant impact on the consolidated capitalisation and indebtedness with the exception of (i) the reimbursement in September 2011 of a portion of the shareholder loan granted by the Company to Seplat, in an amount of USD 75 million, and (ii) reimbursement of the balance of Maurel & Prom's debt to the Company, i.e., EUR 14.5 million. Shareholders' equity will be the subject of transactions prior to the Distribution described in the prospectus. At last, Seplat benefits from a bank loan including a tranche A amounting to USD 150 million with a maturity date on 30 September 2011 and a tranche B amounting to USD 400 million with a maturity date on 22 July 2016. Negotiations have been entered into to aggregate the amount of tranche A to that of tranche B and to submit it to the same maturity terms as the amount available under tranche B. As at the date of the prospectus, USD 275 million have been drawn down on this financing, of which USD 150 million under tranche A and USD 125 million under tranche B.

### 1.5 Major risk factors

Before making any decisions, Company shareholders and investors are advised to consider the risks indicated below as well as the risks more fully described in section 4 of the prospectus:

- The Company has only one significant operating asset, namely its equity interest in Seplat, which operates entirely in Nigeria; it is therefore particularly exposed in terms of the events that could affect this equity interest;
- The Company holds only 45% of the share capital and voting rights of Seplat and thus does not have the requisite majority to make decisions adopted by simple majority on its own. In addition, its right of veto over certain key strategic and operational decisions, such as the prior authorisation of the Company required for certain transfer of Seplat shares by Shebah and Platform will terminate when the shareholder advances granted by the Company to Seplat are fully repaid and the bank financing relating to the acquisition of the 45% interest in Oil Mining Licenses 4, 38 and 41 is fully reimbursed. The Company is therefore exposed to a risk that disagreements or situations of deadlock will arise or that decisions contrary to its interests within Seplat will be adopted and, in the event of lasting deadlock, would have a decisively adverse impact on the Company's financial situation and its business;
- The valuation of Seplat's hydrocarbon reserves and resources is carried out by independent consultants using a process involving subjective judgments and could lead to subsequent revaluations, which could be lower;
- Future hydrocarbon production and exploration activities rely on preliminary transactions and significant investments which are undertaken in the face of numerous existing uncertainties in terms of whether the quantity and quality of the hydrocarbons are sufficient and whether they can feasibly be extracted;
- The Company carries out its business exclusively in Nigeria, a developing country with high risk of political, regulatory and economic instability, terrorist acts, armed conflict, criminal activities and corruption, together with insufficient infrastructure;
- The Nigerian State owns an interest of 55% in the exploitation of Oil Mining Licenses 4, 38 and 41 alongside the Company under a joint operating agreement, which exposes the Company, by way of its 45% stake in Seplat, to the penalties applicable in the event of a breach of the obligations defined in these oil mining licenses or in the joint operating agreement, as well as to the risk of having the renewal of these licenses refused;

- The separation of the Company's business from the rest of the Maurel & Prom Group as a result of the Distribution may disrupt operations relating to the establishment of the structures necessary for it to function as an independent listed entity;
- The Company's shares have never been listed for trading on a market, whether regulated or otherwise, and the initial quotes for the Company shares on the regulated market of NYSE Euronext in Paris may not reflect what the market price for the shares might be in subsequent months; and
- Seplat might be subject to early refund its bank debt, with a principal outstanding as at the date of the prospectus of USD 275 million, in case of a breach of certain commitments or in the occurrence of a default.

The occurrence of any one of these risks or of other risks that are currently unidentified or not deemed significant by the Company as at the date of the prospectus could have a significant adverse impact on the business, financial position and results of the Company or on its image, outlook or future market price if the share.

### 1.6 Financial position and outlook

2010 was the first year in which the Company was active in Nigeria, through its 45% investment in Seplat.

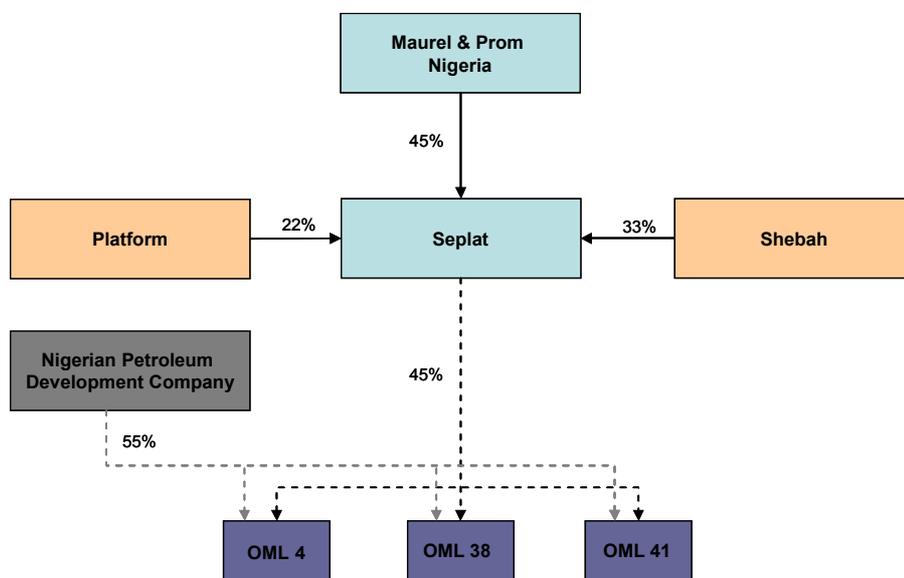
In fiscal year 2010, the Company's consolidated sales stood at EUR 28.5 million and its consolidated net income was EUR 1.4 million.

During the first half of 2011, the Company's consolidated sales stood at EUR 72 million and consolidated net income was EUR 2.2 million.

As at the date of the prospectus, the Company's objective is to achieve sales of EUR 159 million by 31 December 2011. This objective is based on a production target based on well outflow of approximately 40 Mbbl/d (100% basis for Oil Mining Licenses 4, 38 and 41) at the end of 2011.

Following the approval by the Company of its half-yearly consolidated financial statements as at 30 June 2011, (i) in September 2011, Seplat reimbursed a portion of the shareholder loan granted to it by the Company, in an amount of USD 75 million and (ii) Maurel & Prom reimbursed the balance of its debt to the Company in an amount of EUR 14.5 million.

### 1.7 Chart showing the Company's equity interest in Seplat



## 2. Information on the transaction

### 2.1 Objectives of the transaction

The admission of the Company's shares to trading on the regulated market of NYSE Euronext in Paris is part of the plan for separating Maurel & Prom's exploration/production activities in Nigeria from exploration/production activities in other countries in which Maurel & Prom operates, particularly Gabon, Congo, Colombia, Tanzania and Mozambique.

Following discussions held by Maurel & Prom's executive management with the board of directors, it became clear that the value of the investment made by Seplat was not fully reflected in the Maurel & Prom Group share price. The Maurel & Prom board of directors therefore decided to submit a proposal to the shareholders, during an ordinary general meeting to be held on 12 December 2011, to separate the exploration/production activities in Nigeria from the rest of the Maurel & Prom Group's activities so as to:

- better value each of the Maurel & Prom Group's major assets, particularly the Gabonese and Nigerian assets;
- enable significant growth in the Company's standing and greater recognition of Seplat's value;
- make business and results of the Company and Seplat more visible and transparent; and
- allow greater leeway for forging alliances or industrial partnerships in Nigeria.

### 2.2 Details of the transaction

The admission of the Company's shares to trading on the regulated market of NYSE Euronext in Paris will coincide with the distribution of 100% of the Company's share capital by Maurel & Prom to its shareholders, subject to approval of this distribution by Maurel & Prom shareholders who are to hold a general meeting on 12 December 2011 (information about Maurel & Prom is available in its 2010 reference document filed with the AMF on 20 April 2011 under number D.11-0341 and in the updated version to be filed with the AMF prior to the Maurel & Prom general meeting of 12 December 2011). Upon completion of this transaction, Maurel & Prom will no longer hold any Company shares. Holders of securities that give access to Maurel & Prom equity and beneficiaries of free Maurel & Prom shares will be protected under the conditions set forth in the issuing contracts of these securities, which terms are summarized under section 26.1.13 of the prospectus.

Accordingly, Maurel & Prom is planning to distribute one (1) Company share to its shareholders for each Maurel & Prom share eligible for the distribution (see section 26.1 of the prospectus) (the "**Distribution**"). A decision concerning the Distribution will be submitted to the Maurel & Prom ordinary general meeting to be held on 12 December 2011.

The ex-dividend date for the Distribution and the settlement/delivery date for the Distribution will fall on the same day as the date of admission of the Company's shares to trading on the regulated market of NYSE Euronext in Paris (the "**Completion Date**").

As at the date of this prospectus, the Completion Date is expected to be 15 December 2011.

The Distribution will be preceded by the completion of the preliminary transactions described in section 26.1.7 of the prospectus. The preliminary transactions include in particular the completion of a capital increase of EUR 105 million of the Company subscribed by Maurel & Prom.

A lock-up in respect to the shares allocated as part of the Distribution has been granted by Pacifico for 365 calendar days after the admission date of the Company's shares to trading on the regulated market of NYSE Euronext in Paris (see section 26.1.3 of the prospectus).

The main components relied upon to assess the value of the Company are presented in section 26.1.17 of the prospectus.

The firm Ledouble was selected by the Maurel & Prom board of directors on 29 July 2011 as independent expert. As part of its assignment, Ledouble has informed the Maurel & Prom board of directors of a value range for the Company (see prospectus section 26.1.17.1 of the prospectus).

Pacifico and MACIF have informed Maurel & Prom that they will vote in favour of the Distribution. In addition, Pacifico has undertaken to BNP Paribas, according to a lock-up undertaking not to sell its Maurel & Prom Nigeria shares until the expiry of a period of 365 calendar days following the date of admission of the Company's shares to trading on the regulated market of NYSE Euronext in Paris, except (i) to an affiliate, (ii) in the case of a tender offer, an exchange offer, an alternative offer (cash or shares) or a combined offer (cash and shares) for the Company's shares, to which Pacifico would be free to contribute its shares and (iii) to pledge its shares held in the Company.

### 3. Share capital breakdown and dilution

As at the date of the prospectus, the Company's share capital and voting rights are held in full by Maurel & Prom.

The Company's shareholding base immediately after the Distribution is presented in the following table. This information is purely indicative, based on the Maurel & Prom shareholding base as at 31 July 2011:<sup>1</sup>

Shareholder	Number of shares	Percentage of the share capital	Percentage of voting rights
Pacifico	28,749,616	24.97	24.97
Macif	8,324,204	7.23	7.23
Employees	790,887	0.69	0.69
Other	77,266,789	67.11	67.11
<b>Total</b>	<b>115,131,496</b>	<b>100</b>	<b>100</b>

<sup>1</sup> The treasury shares held by Maurel & Prom are not entitled to the Distribution and are not mentioned in the table below.

#### 4. Practical arrangements

##### 4.1 Provisional timetable for the transaction

AMF approval of the prospectus	4 November 2011
Publication in the <i>Bulletin des Annonces Legales Obligatoires</i> (BALO) of prior notice in respect of the Maurel & Prom ordinary general meeting	7 November 2011
Publication in the BALO of the convening notice in respect of the Maurel & Prom ordinary general meeting	25 November 2011
Maurel & Prom ordinary general meeting approving the Distribution	12 December 2011
Publication by NYSE Euronext of the notice regarding the admission to trading of Maurel & Prom Nigeria shares	14 December 2011
Distribution and admission to trading of the Company's shares (Completion Date)	15 December 2011

After obtaining the AMF approval of the prospectus, the Company will issue a press release describing the main features of the transaction and the arrangements for obtaining the prospectus. The Company will also issue a press release after the approval of the Distribution by the Maurel & Prom ordinary general meeting.

##### 4.2 Availability of the prospectus

Copies of this prospectus may be obtained free of charge from Maurel & Prom Nigeria (12 rue Volney, 75002 Paris) and from Maurel & Prom (12 rue Volney, 75002 Paris), as well as from the websites of Maurel & Prom Nigeria ([www.mpnigeria.com](http://www.mpnigeria.com)), Maurel & Prom ([www.maureletprom.fr](http://www.maureletprom.fr)) and the AMF ([www.amf-france.org](http://www.amf-france.org)).

## **1. PERSONS RESPONSIBLE FOR THE PROSPECTUS**

### **1.1 Persons responsible for the prospectus**

For Maurel & Prom Nigeria

Mr. Michel Hochard

Chief Executive Officer

For Etablissements Maurel & Prom

Mr Jean-François Hénin

Chairman and Chief Executive Officer

### **1.2 Statements from the persons responsible for the prospectus**

For Maurel & Prom Nigeria

*"I hereby certify, having taken all reasonable measures for this purpose and to the best of my knowledge, that the information contained in this prospectus (with the exception of sections 26.1.1 to 26.1.6, 26.1.8 to 26.1.14.2, 26.1.15.2 and 26.1.16) is accurate and that there are no omissions that could affect its scope.*

*I have obtained a completion-of-work letter from the statutory auditors, in which they indicate that they have verified the financial data and the financial statements contained in this prospectus and have read this prospectus in its entirety. This completion-of-work letter contains no observations.*

*The historical financial data presented in the prospectus, particularly in sections 20.1.1 and 20.6.1, containing the annual and consolidated financial statements for the fiscal year ending 31 December 2010 and the consolidated half-yearly financial statements for 1 January to 30 June 2011, have been subjected to reports from legal controllers and contained in sections 20.4.1.1 and 20.6.2 of this prospectus containing the following observations:*

- *in the social account reports for the financial year for which accounts have been closed on December 31<sup>st</sup>, 2010, the legal controllers state that "without questioning the opinion expressed above, we attract your attention upon the note 3.14 "Subsequent events to the closing" indicating the situation of the refinancing of your Nigerian subsidiary Seplat" ;*
- *in the consolidated account reports for the financial year for which accounts have been closed on December 31<sup>st</sup>, 2010, the legal controllers state that "without questioning the opinion expressed above, we attract your attention upon the note 23 "Subsequent events to the closing" indicating the the refinancing conditions for your Nigerian subsidiary Seplat";*
- *in the summarized interim consolidated account reports as at 30 June 2011, the legal controllers state that "without questioning the conclusion stated above, we attract your attention on notes 1 "Generalities" and 8 "Other loans and financial debts" in the appendix indicating that the company Seplat, proportionally consolidated in your accounts, is currently negotiating with a banking pool for setting up a structured finance by the end of the year. In this context, a bridge loan of 200 MUS\$ has been granted to Seplat at the end of March 2011 by a lending institution for a four month time period, that has been renewed at the end of July 2011 for an additional four months. This loan provides for the pledge of Seplat's shares for the benefit of this lending institution."*

*The information about self-financing capacity presented in the prospectus and contained under section 10.4 have been prepared by the directors of the Company and have been the subject of an official statement by the legal controllers contained under section 10.4 of the prospectus.*

Mr. Michel Hochard  
Chief Executive Officer

For Etablissements Maurel & Prom

*"I hereby certify, having taken all reasonable measures for this purpose and to the best of my knowledge, that the information contained in this prospectus is accurate and that there are no omissions that could affect its scope."*

Mr. Jean-François Hénin  
Chairman and Chief Executive Officer

## **2. STATUTORY AUDITORS**

### **2.1 Principal statutory auditor**

Mr François Carrega  
13 boulevard des Invalides  
75007 Paris

Mr François Carrega was appointed as the principal statutory auditor under the Company's articles of association on 8 October 2009 for a term of six fiscal years, namely until the ordinary general meeting that will be convened in 2015 to approve the financial statements for the year ended 31 December 2014.

International Audit Company, represented by Mr Daniel de Beaurepaire  
46 rue du Général Foy  
75008 Paris

International Audit Company was initially appointed as the deputy statutory auditor under the Company's articles of association on 8 October 2009 and was subsequently appointed as the principal statutory auditor at the ordinary general meeting of 13 May 2011 for a term of six fiscal years, namely until the ordinary general meeting that will be convened in 2017 to approve the financial statements for the year ended 31 December 2016.

### **2.2 Deputy statutory auditor**

Cailliau Dedouit et Associés was appointed as the deputy statutory auditor to Mr François Carrega at the ordinary general meeting of 13 May 2011 for the remainder of the term of its predecessor, namely until the ordinary general meeting that will be convened in 2015 to approve the financial statements for the year ended 31 December 2014.

Mr François Caillet was appointed as the deputy statutory auditor to International Audit Company at the ordinary general meeting of 13 May 2011 for a term of six fiscal years, namely until the ordinary general meeting that will be convened in 2017 to approve the financial statements for the year ended 31 December 2016.

### 3. SELECTED FINANCIAL INFORMATION

#### 3.1 Key financial information

The following financial data are for the Company and its 45% equity interest in Seplat on a consolidated basis as at 31 December 2010 and 30 June 2011.

The key figures of the Company's consolidated profit and loss statement as at 31 December 2010 and as at 30 June 2011 are as follows:

<i>in thousands of EUR</i>	<b>31/12/2010</b>	<b>30/06/2011</b>
<b>Sales</b>	<b>28,480</b>	<b>72,022</b>
Operating expenses	(13,036)	(24,681)
<b>Gross operating surplus*</b>	<b>15,444</b>	<b>47,341</b>
Amortisations for depletion	(3,910)	(7,844)
Other operating expenses	(2)	(2,428)
<b>Operating income</b>	<b>11,532</b>	<b>37,069</b>
Financial income	(2,654)	(11,319)
<b>Income before tax</b>	<b>8,878</b>	<b>25,750</b>
Income tax	(7,433)	(23,552)
<b>Net income – Company share</b>	<b>1,445</b>	<b>2,198</b>

\* The gross operating surplus corresponds to the gross margin net of taxes (excluding corporation tax) and personnel expenses, on a consolidated basis.

In 2010, the Company's gross operating surplus margin amounted to 54.2%, and to 65.7% for the first half of 2011 whereas the operating margin for 2010 was 40.5%, and 51.5% for the first half of 2011.

The Company's sales for the third quarter (to 30 September 2011) amounted to EUR 37.6 million. Accordingly, the Company's sales for the first nine months of 2011 totalled EUR 108.4 million.

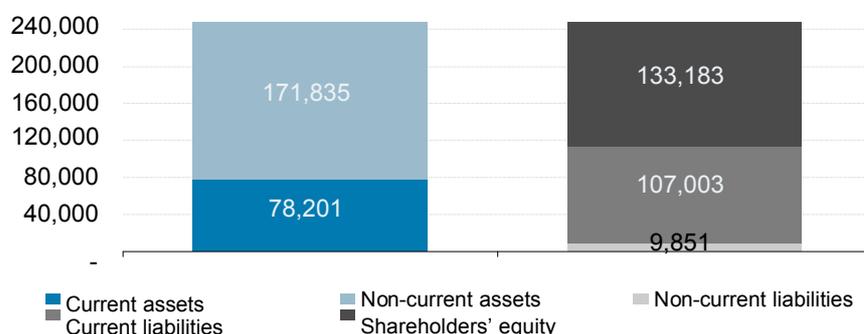
The Company and Seplat were registered on 13 October 2009 and 17 June 2009 respectively (see sections 5.1.1 and 5.1.2 of this prospectus). However, they began operating their business on 1 August 2010, following completion of Seplat's acquisition of 45% of the rights in Oil Mining Licenses (OMLs) 4, 38 and 41 on 30 July 2010 (see section 6.3.5.1 of this prospectus).

The key figures in the Company's consolidated cash flow statement as at 31 December 2010 and 30 June 2011 are as follows:

<i>in thousands of EUR</i>	31/12/2010	30/06/2011
<b>Cash flow before tax</b>	<b>20,772</b>	<b>41,562</b>
Disbursements of tax due	(1,988)	(7,856)
Change in working capital requirements for operations	(66,102)	(7,634)
<b>Net cash flow generated by operating activities</b>	<b>(47,318)</b>	<b>26,072</b>
Disbursements for acquisitions of property, plant and equipment and intangible assets	(139,985)	(901)
<b>Net cash flow generated by investment activities</b>	<b>(139,985)</b>	<b>(901)</b>
Amounts received from shareholders for capital increases	133,397	0
Proceeds from new loans	71,738	63,349
Interest paid	(6,036)	(2,826)
Repayment of loans	0	(67,845)
<b>Net cash flow related to financing activities</b>	<b>199,099</b>	<b>(7,322)</b>
Impact of exchange rate movements	(1,555)	2,982
<b>Change in net cash</b>	<b>10,242</b>	<b>20,831</b>
Cash at beginning of period	37	10,279
<b>Net cash and cash equivalents at end of period</b>	<b>10,279</b>	<b>31,110</b>

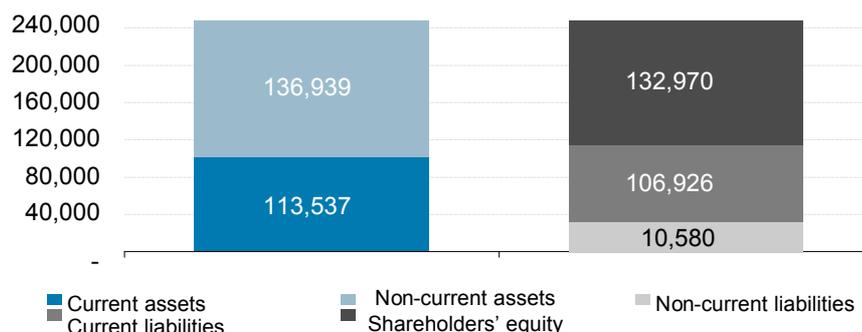
The accounting item "amounts received from shareholders for capital increases" corresponds to the funds received from two successive increases in the Company's share capital, to which Maurel & Prom subscribed, on 15 November 2010, in amounts of EUR 3,700 and EUR 133,392,834.30 respectively.

The major items of the Company's consolidated balance sheet as at 31 December 2010 were as follows (in thousands of EUR):



In 2010, the consolidated shareholders' equity of the Company represented 53% of the total liabilities in the balance sheet.

The major items of the Company's consolidated balance sheet as at 30 June 2011 were as follows (in thousands of EUR):



As at 30 June 2011, the consolidated shareholders' equity of the Company represented 53.1% of the total liabilities on the balance sheet. Prior to the Maurel & Prom general meeting called to decide on the Distribution described in section 26.1 of the prospectus, the Company's consolidated shareholders' equity will be increased by an amount of EUR 105 million through a capital increase subscribed by Maurel & Prom as part of preliminary transactions described in section 26.1.7 of this prospectus.

## 3.2 Other financial information

### 3.2.1 Statement on net working capital

The Company certifies that, in its opinion, the consolidated net working capital of the Company is sufficient (i.e., the Company has access to sufficient cash resources and liquidity) to meet its obligations for the twelve months following the date of the AMF approval of this prospectus.

### 3.2.2 Shareholders' equity and indebtedness

Pursuant to paragraph 127 of the recommendations of the Committee of European Securities Regulations (CESR 05-054b), replaced by the European Securities and Markets Authority on 1 January 2011, the following table shows the consolidated shareholders' equity and indebtedness of the Company as at 31 August 2011, prepared in accordance with IFRS principles.

**(in thousands of EUR)**

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<b>Current debt</b>	<b>75,814</b>
- Guaranteed	0
- Secured	0
- Unguaranteed/unsecured	0
<b>Non-current debt</b>	<b>0</b>
- Guaranteed	0
- Secured	0
- Unguaranteed/unsecured	0
<b>Shareholders' equity – Company share</b>	<b>130,909</b>
- Share capital	133,434
- Legal reserve	1,443
- Other reserves	(3,968)

**Analysis of net financial debt**

**(in thousands of EUR)**

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A. Cash	53,289
B. Cash equivalents	0
C. Investment securities (net asset value)	0
<b>D. Liquidity (A)+(B)+(C)</b>	<b>53,289</b>
<b>E. Current financial receivable</b>	<b>60,887</b>
F. Current bank debt (of which reclassified long-term debt (1))	75,814
G. Current portion of non-current debt	0
H. Other current financial debt	0
<b>I. Current financial debt (F)+(G)+(H)</b>	<b>75,814</b>
<b>J. Net current financial indebtedness (I) - (E) - (D)</b>	<b>(38,362)</b>
K. Non-current bank loans	0
L. Bonds issued	0
M. Other non-current loans	0
<b>N. Non-current financial indebtedness (K)+(L)+(M)</b>	<b>0</b>
<b>O. Net financial indebtedness (J)+(N)</b>	<b>(38,362)</b>

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As at the date of this prospectus, no indirect or conditional debts exist. Furthermore, since 30 June 2011 there has not been any notable change that could have a significant impact on the consolidated capitalisation and indebtedness with the exception of (i) the reimbursement in September 2011 of a portion of the shareholder loan granted by the Company, in an amount of USD 75 million, (ii) reimbursement of the balance of Maurel & Prom's debt to the Company i.e. EUR 14.5 million. Shareholders' equity will be the subject of transactions prior to the Distribution described under section 26.1.7 of the prospectus.

### 3.2.3 Financing arrangements for Seplat's activities

On 30 July 2010, Seplat, in which the Company holds a 45% equity interest, acquired 45% of the rights in Oil Mining Licences (OMLs) 4, 38 and 41 in Nigeria for a total amount of USD 373 million, including the payment of an initial sum of USD 340 million and, under certain conditions, the payment of a price adjustment of USD 33 million.

This price adjustment is to be paid by Seplat to the assignors (the Shell Petroleum Development Company of Nigeria Limited, Total (E&P) Nigeria Limited and Nigerian Agip Oil Company Limited) if the Brent price per barrel is greater than or equal to the average price of USD 80 calculated over a period of 731 consecutive calendar days starting from 30 July 2010. If Seplat does not pay the price adjustment on the agreed date, 70% of all payments due to Seplat under the crude oil purchase agreement concluded by Seplat and Shell Western Supply and Trading Limited on 30 July 2010 (see section 6.3.5.5(b) of this prospectus) will be deemed to revert to the assignors as payment of the price adjustment.

Seplat's acquisition of 45% of the rights in OMLs 4, 38 and 41 was financed in part by a bank loan granted on 25 June 2010 by BNP Paribas to Seplat for a principal amount of USD 187 million (the "**BNP Paribas Loan**") and in part by a shareholder loan granted on the same date by the Company to Seplat for a principal amount of USD 153 million (see section 6.3.5.4(b) of this prospectus).

On 29 March 2011, Seplat obtained a bridge loan from African Export-Import Bank and Skye Bank Plc (the "**Bridge Loan**") for a principal amount of USD 200 million, enabling it to repay in full the BNP Paribas Loan and part of the shareholder loan mentioned above with the additional amount available (see section 6.3.5.4 of this prospectus).

On 22 July 2011, the Bridge Loan was amended by first amendment to increase the amount to USD 550 million divided into two tranches. The first, for USD 200 million (the "**Tranche A**"), corresponds to the amount already drawn down from the bridge loan on 29 March 2011 and initially reimbursable on 22 November 2011. The second is a long term tranche (with a maturity date on July 22, 2016) for an amount of USD 350 million (the "**Tranche B**"). Tranche B is intended primarily to finance future acquisitions of petroleum assets. USD 75 million was drawn down in September 2011 on Tranche B to enable Seplat to reimburse part of the shareholder loan granted by the Company to Seplat.

On 22 July 2011, the Bridge Loan was also amended so as to allow the use of available funds under Tranche B to reimburse Tranche A. On 29 July 2011, the Bridge Loan was amended again to modify the maturity date of Tranche A to 30 September 2011.

Since mid-September, parties to the Bridge Loan (as amended) have entered into negotiations to aggregate the amount of Tranche A to that of Tranche B and to submit it to the same conditions, such as reimbursement and maturity terms. Skye Bank Plc has already agreed that USD 50 million of the sums it loaned under Tranche A may be made subject to the terms and conditions applicable to Tranche B. Negotiations are underway with African Export-Import Bank to have the balance of Tranche A (i.e., USD 150 million) added to the amount for Tranche B, so that the current Tranche B amount of USD 400 million (of which USD 125 million have been drawn down as at the date of this prospectus) would total USD 550 million. As at the date of this prospectus, USD 275 million

have been drawn down from the Bridge Loan, as amended, of which USD 150 million under Tranche A and USD 125 million under Tranche B.

Furthermore, Seplat's shares belonging to the Company and its Partners were pledged for the benefit of the loaning banks as security for the Bridge Loan in August 2011.

More generally speaking regarding the principles the Company and its partners agreed upon in the Seplat shareholders' agreement (see section 6.3.5.2 of this prospectus for a summary of the main provisions of the shareholders' agreement) concerning the financing for Seplat's activities and development, the parties to the agreement have agreed that such financing must come first from the available cash flow generated through Seplat's activities insofar as it is possible; any additional funds should then come in priority from third parties and in particular from bank loans like those described below. At last, if the board of directors so decides, however (and keeping in mind that the Company has a veto right for any investment greater than USD 5 million) or if Seplat's annual business plan (annual business plan to be approved unanimously by Seplat shareholders, i.e., with the Company's consent) sets out investments that would justify seeking further funds, Seplat shareholders may be asked to contribute to financing Seplat's business or development. In this respect, the shareholders' agreement states, regarding investments provided for in Seplat's annual business plan, that if either of the two partners or both of them of the Company in Seplat does not have the necessary funds for its contribution, the Company must advance that share in accordance with the terms set out in the shareholders' agreement and described herein in section 6.3.5.2 of this prospectus.

## 4. RISK FACTORS

The significant risks to which the Company believes it is exposed as at the date of this prospectus, whether directly or through its interest in Seplat, are presented below. However, it cannot be excluded that other risks may exist, now or in the future, which are unknown or whose effects are not taken considered, as at the date of this prospectus, as likely to have a significant adverse impact on the Company or Seplat. The occurrence of any one of these risks could have a significant adverse impact on the business, financial position or results of the Company or on its image, outlook or future share price.

### 4.1 Major risks relating to the Company's equity interest in Seplat

#### 4.1.1 Risks relating to the fact that the Company has a single significant operating asset located in Nigeria

As at the date of this prospectus, the Company's only significant operating asset is its 45% minority interest in Seplat, whose production and exploration activities and hydrocarbon reserves are located entirely in Nigeria, a country considered to carry significant risk of political and economic instability, as described in the risk factors presented in section 4.3.1.1 below. The Company's exposure to risks relating to political and economic events in Nigeria and the risks connected with its position as a minority shareholder in Seplat (as described in the next section) is therefore much more significant than if the Company had a diversified asset portfolio.

However, Seplat's activities in Nigeria are now divided between multiple exploration and production areas under the three licenses it holds in that country, thus mitigating the consequences of an isolated event affecting one of its exploration or production sites. Moreover, the Company intends, in addition to acquiring new principal sources of production in Nigeria, to explore together with its Partners in Seplat any opportunities that may arise to diversify its production areas, chiefly in West Africa. In particular, for its development needs the Company will benefit from a cash contribution of EUR 105 million via a share capital increase to be subscribed for by Maurel & Prom before the Distribution (see section 26.1.7 of this prospectus) and completed by the repayment of USD 75 million that occurred in September 2011 (see section 6.3.5.4(a) of this prospectus); it will have the necessary cash and financing capacity to quickly grasp such opportunities.

#### 4.1.2 Risks relating to the fact that the Company is a minority shareholder in Seplat

The Company is exposed to risks connected with the fact that it only holds 45% of the share capital and voting rights of Seplat and that this minority interest is its only significant operational asset. The remaining share capital is held by Shebah (33%) and by Platform (22%), two companies registered in the British Virgin Islands and controlled by Shebah Petroleum Development Company Limited and Platform Petroleum Joint Venture Limited, two companies registered in Nigeria and specialising in hydrocarbons (see section 5.1.2.5 of this prospectus).

Consequently, the Company does not have the requisite majority to make decisions adopted by simple majority on its own, including, in particular, certain decisions relating to Seplat's current operational management. However, under the terms of the shareholders' agreement governing the operation of Seplat and the relationship among shareholders (see section 6.3.5.2 of this prospectus), the Company does have a right of veto over certain key operational and strategic decisions, such as in particular the appointment of key managers at Seplat (including the chief financial officer and the chief operating officer), approval of new financing and certain investment choices for a cost of over USD 5 million, approval of operating plans, choice of key service providers, particularly with respect to drilling, and distribution of dividends.

The Company will no longer have access to this veto right once the following have been fully repaid (i) the shareholder loan granted by the Company to Seplat on 25 June 2010, the balance of which is approximately USD 47 million as at the date of this prospectus (see section 6.3.5.4(b) of this prospectus for a description of this loan and its repayment terms) and (ii) the USD 187 million in principal for the bank debt relating to the financing of Seplat's acquisition of 45% of the rights in OMLs 4, 38 and 41 (and the related refinancing, see section 6.3.5.4(a) of this prospectus). However, under the terms of the Seplat shareholders' agreement (see section 6.3.5.2 of this prospectus), the USD 47 million shareholder loan still due to the Company by Seplat at the date of this prospectus under the shareholders' loan could increase in the future as a result of new payments made by the Company to Seplat so that Seplat can implement its business plan.

Furthermore, prior written consent is also required from the Company for any transfer by Shebah or Platform of their Seplat shares (i) to a third party and (ii) that would reduce their combined interest in Seplat to less than 10% of the share capital until the bank loan (as refinanced) used to finance part of the purchase price of Seplat's acquisition of 45% of the rights in the OMLs (see section 6.3.5.4(a) of this prospectus) is fully reimbursed.

Once the shareholders' loan and the bank loan (as refinanced) referred to in the paragraphs above have been repaid, the Company will, in principle, lose its right to oppose decisions that may be contrary to its interests (save decisions that, under Nigerian law, require a majority of two-thirds of the shareholders, such as a change in Seplat's company name, an amendment to its corporate object and/or articles of association, its conversion into a public company enabling it to be listed on a financial market, a reduction in its share capital, a modification of the rights attached to any shares it has issued, the payment of interest from the share capital (in certain cases) or a decision to petition the courts for its liquidation or to proceed with a voluntary winding-up). The Company will then be in the position of a minority shareholder (nonetheless with a 45% stake in Seplat's share capital in so far as its partners Shebah and Platform will only hold 33% and 22% respectively) exposed to the risk that decisions contrary to its interests may be adopted within Seplat.

Unanimous approval of Seplat's annual business plan is not, however, subject to this reimbursement condition, and the principle of a unanimous vote on the business plan will continue to apply regardless of whether the shareholders' and bank loans have been repaid.

Nevertheless, the Company believes that its right of veto covers the main decisions that could significantly affect Seplat's business and the Company's interests in Seplat. However, there is a possibility that certain decisions that the Company may not have identified when negotiating the shareholders' agreement may not be covered by its right of veto and may, if adopted without its agreement, have a significant adverse impact on its business and financial position.

Furthermore, as in all joint ventures, there is a risk of disagreement or deadlock among Seplat's shareholders that could oblige the Company to accept decisions that are contrary to its interests, particularly in order to resolve any such disagreements or deadlock situations. In order to avoid any risk of a lasting deadlock, the above-mentioned shareholders' agreement provides that, in the event of a persistent disagreement between the parties on decisions subject to veto by the Company or of any decision regarding the management of Seplat requiring their approval, the decision will be submitted to the chairmen of the respective boards of directors of Seplat's shareholders with a view to reaching an agreement that best preserves the interests of Seplat; nevertheless, there is a possibility that the disagreement will continue regardless. If such a disagreement were sustained, the Company could be obliged to agree to decisions contrary to its interests or its vision of Seplat's future strategy in the interests of preventing deadlock. If it refused to accept such decisions contrary to its interests, lasting deadlock could prevent Seplat's development, in particular by preventing it from accomplishing its objectives as set out herein. The ensuing differences between the Company and its Partners could affect Seplat's satisfactory advancement and the technical cooperation between the Company and Seplat, becoming a wellspring for disputes, which in turn

could (if the extent of the Company's operational assets was not expanded in the meantime) have a decisive impact on the Company, its business, its financial situation and its revenues.

The Company is also exposed to various risks relating to its Partners in Seplat, a detailed description of which can be found in section 5.1.2.5 of this prospectus, including, in particular:

- the failure to comply with their contractual obligations under the shareholders' agreement (material or repeated violations by a shareholder of its obligations under the shareholders' agreement however expose it to a risk of having to transfer its shares to other Seplat shareholders or to purchase their shares, as they see fit (see section 6.3.5.2 of this prospectus));
- insolvency proceedings or financial difficulties or a change in management or shareholder base liable to affect their interest in Seplat or their relationship with the Company.

Lastly, as the Company does not control Seplat share capital or have representatives in key posts within Seplat management or its operational division other than its representatives on Seplat's board of directors, it does not have as direct or unmediated access to or influence over management, internal control, and reporting procedures in respect of Seplat's business, etc., as it would if it controlled Seplat or had representatives in key positions within Seplat's management or operational divisions.

Although, as at the date of this prospectus, the Company has no reason to believe that any of the above-mentioned situations will arise, particularly in view of the quality of its relationship with its Partners as well as their reputations and their reliability, the occurrence of such an eventuality (since the Company's 45% stake in Seplat is its only operational asset as at the date hereof) could nevertheless have a significant or decisive adverse impact on the Company's business, financial position, results and outlook. Furthermore, given the risks relating to the interpretation and application of the law by the Nigerian courts (see the risk factor described in section 4.3.2.3 of this prospectus), the Company could, in the event of a dispute with its Partners in Seplat, encounter difficulties in terms of asserting its rights and recouping its investments.

#### 4.1.3 Risks relating to the operation of the joint operating agreement between Seplat and the Nigerian Petroleum Development Company

Since 30 July 2010, Seplat has held 45% of the rights in OMLs 4, 38 and 41; the remaining 55% of the rights are the property of the Nigerian Petroleum Development Company, which in September 2010 replaced its parent company, the Nigerian National Petroleum Corporation (see section 6.3.5.1 of this prospectus). The oil exploitation activities under OMLs 4, 38 and 41 are conducted jointly by Seplat, as operator, and the Nigerian Petroleum Development Company under the terms of a joint operating agreement, the main provisions of which are summarised in section 6.3.5.3 of this prospectus.

The joint operating agreement provides that decisions regarding the management, control and supervision of operational decisions relating to exploitation of OMLs 4, 38 and 41 and investments to improve their production capacity come within the purview of an operating committee composed of 12 members, comprising six representatives from the Nigerian Petroleum Development Company and six from Seplat. For the committee's decisions to be adopted, (i) a quorum of two-thirds of the members of the operating committee, including a minimum of four members from the Nigerian Petroleum Development Company and four from Seplat, must be met and (ii) they must be approved unanimously by the members present, unless otherwise provided for in the joint operating agreement.

With regard to the rules on quorum and majority (unanimity) for adopting operational decisions relating to exploitation and investments aimed at improving production capacity, any persistent disagreement between Seplat and the Nigerian Petroleum Development Company could have a

long-term effect on the exploitation of OMLs 4, 38 and 41, which could have a material adverse effect on the Company's business and results.

## **4.2 Risks relating to hydrocarbon exploration and production activities**

### **4.2.1 Risks relating to the identification and evaluation of reserves and resources**

The reserves and resources, as at 30 June 2011, of the OMLs operated by Seplat, as presented in section 6.3.3 of this prospectus, have been evaluated by Gaffney, Cline & Associates, in the Competent Person's Report covering OMLs 4, 38 and 41 dated 1 November 2011 on the basis of the economic conditions relating to the exploration/production licenses involved and using the existing geological and engineering data to estimate the quantities of hydrocarbons that may be produced.

The valuation process involves subjective judgments and may lead to further revaluation, possibly even downward, as more information is obtained about the deposits. Any error or inaccuracy in the valuation of the resources and reserves of Seplat and any downward revision that may result could have a material adverse effect on the business, financial position and outlook of Seplat and the Company.

### **4.2.2 Risks relating to the exploration for and renewal of reserves**

The exploration business, which relies on the discovery and extraction of hydrocarbons, involves a commitment to undertaking major Preliminary Transactions. Geological and seismic surveys must be therefore carried out prior to exploration drilling. Operations of this type make it possible to decide on the location of exploration drilling, to transition to the production start-up phase or to decide whether or not to pursue exploration. At the time such operations are launched, there are still numerous uncertainties about whether the quantity and quality of the hydrocarbons will be sufficient and whether or not they can feasibly be extracted. In fact, the hydrocarbons sought when exploration/production licenses are obtained and during drilling operations may ultimately not be present or else their exploitation may not be commercially viable.

Consequently, the many uncertainties that remain during the exploration phase mean that the Company cannot guarantee a return on any investments that are or that will be made with respect to future or current exploration activities will be profitable.

In addition, actual reserve levels are only revealed over the course of exploration and may ultimately prove to be significantly less than estimated. In this respect, regarding the proved reserves (P1) described in this prospectus (see section 6 of this prospectus) whose size was assessed by Gaffney, Cline & Associates in its Competent Person's Report on OMLs 4, 3 and 41 dated 1 November 2011, Seplat now has, after more than a year of exploitation, sufficient production data to demonstrate that there is an adequate level of reserves to enable it to set the production targets contained in this prospectus. Lastly, the costs of exploration may vary during the exploration phase depending on a number of variables, and in particular practical difficulties arising from the explored areas and/or soil.

It is thus impossible to guarantee that new hydrocarbon resources will be discovered in adequate quantities to replace existing reserves or to allow the Company to recover all the capital invested in exploration activities and to ensure a return on the investments made.

In order to limit the technical risks linked to exploration, exploration programmes are validated upstream based on technical criteria before being implemented.

#### 4.2.3 Risks relating to hydrocarbon production capacity

When estimates of hydrocarbon reserves and economic surveys justify the development of a discovery, the reserves may, at any time during production, be revealed to be less than those forecast and thus compromise the economics of the operation.

In addition, developing an hydrocarbon production field requires significant investment to build the requisite operating facilities, drill or inject wells and implement advanced technologies for the extraction and exploitation of hydrocarbons with complex properties over the duration of the permit and generally for several decades.

Making these investments and implementing these technologies, generally under difficult conditions, can result in uncertainties about the amount of investment necessary, the operating costs, and the additional expenses incurred as compared with the initial budget, thereby negatively affecting the outlook, financial position and results of the Company.

Lastly, Seplat's hydrocarbon production (or the Company's future production) may be restricted, delayed or cancelled due to a number of internal or external factors, among them malfunctions of hydrocarbon discharge or production facilities, administrative delays (particularly in the approval of development projects by public authorities), shortages, delays in delivery of equipment and materials or adverse weather conditions (for the risks specific to drilling operations, see section 4.4 of this prospectus) or malicious actions (see section 4.3.1.2 of this prospectus). These factors may have a material adverse effect on Seplat's cash flow as well as its outlook, financial position and results and consequently on those of the Company.

#### 4.2.4 Risks relating to dependency on suppliers or subcontractors

Within the context of its exploration and production activities, Seplat (and potentially the Company with regard to its future activities) is required to enter into contracts with third parties, particularly for the completion of certain work and services connected with drilling and transporting hydrocarbons (see section 4.5.6 of this prospectus). Non-performance, unsatisfactory performance or late performance by a third party of its contractual obligations to Seplat or to the Company could subject Seplat or the Company to additional costs and delays or even lead to the abandonment of projects, which could have material adverse effect on the business, outlook, financial position and results of Seplat and the Company.

In order to limit the risks associated with subcontracting, Seplat and the Company choose their contractors carefully, particularly in the field of operations, relying on the practical experience and expertise of well-established, specialist firms with a solid reputation in terms of both business and ethics.

The following table shows the proportion of purchases conducted with Seplat's top supplier, top five suppliers and top ten suppliers:

<b>Suppliers and subcontractors</b>	<b>2010</b>
Top supplier as a percentage of total purchases*	46%
Top five suppliers as a percentage of total purchases	72%
Top ten suppliers as a percentage of total purchases	81%

\* Shell Petroleum Development Company of Nigeria Limited ("SPDC"), which provides transportation, storage and processing services for the oil produced by Seplat, is Seplat's top supplier.

Pertaining more specifically to the crude handling agreement with Shell Petroleum Development Company of Nigeria Limited (see section 6.3.5.5(a) of this prospectus), as of the date of this prospectus, this agreement covers all transportation requirements for Seplat's hydrocarbons and should allow Seplat to transport all of the production under OMLs 4, 38 and 41, on a 100% basis, until 31 December 2012 (at which date Seplat's production target based on well outflow is 50,000 bbl/d for a contractual transportation capacity of 52 kbb/d, which may be extended to 62.4 kbb/d). Furthermore, the crude handling agreement stipulates that, from 1 January 2013, Seplat must only inject oil containing less than 0.5% water into the oil transmission infrastructures of Shell Petroleum Development Company of Nigeria Limited. In order to comply with this contractual obligation, Seplat has started the process of installing its own water separation facilities.

However, at the current rate of progress of this project, the Company estimates that it should be completed in 2013, in other words after the contractual deadline of 1 January 2013. Pursuant to the crude handling agreement and because of Seplat's failure to meet this contractual obligation, Shell Petroleum Development Company of Nigeria Limited has the option of terminating the crude handling agreement, which could have a material adverse effect on Seplat's assets, projects, targets, perspectives, financial situation and results.

However, the Company believes that SPDC is not likely to ask that the crude handling agreement be terminated because of the delays with installing water separation facilities in accordance with the contractual timeframe for the following reasons. First, insofar as SPDC belongs to the same group as Shell Western Supply and Trading Limited ("**SWST**") which, as at the date hereof, purchases all the oil produced by Seplat (see section 6.3.5.5(b) of this prospectus for a description of this oil purchasing agreement), the Company believes that SPDC will be careful not to compromise the existing good business relationship between SWST and Seplat by implementing its termination right under the transportation contract in order to preserve SWST's rights to purchase Seplat-produced oil given the significant competition between potential purchasers of oil produced in Nigeria. The Company also believes that SPDC should be encouraged to take a measured approach because 55% of the oil produced by Seplat and handled by SPDC belongs to the Nigerian Petroleum Development Company, a national company with which SPDC wishes to have the best possible relationship, as does every other participant in the Nigerian hydrocarbon sector. For all these reasons, the Company therefore believes that it is reasonable to assume that performance of the crude handling agreement would be continued on its current terms regardless of the aforementioned delay. The Company believes, in addition, that if, despite the details provided above, SPDC were to seek termination of the handling agreement as at 1 January 2013, Seplat would still be able to quickly connect to other partner networks to distribute its oil.

Regarding alternative handling solutions, Seplat has acted to alleviate any potential problems with the SPDC crude handling agreement and to anticipate its future production volume by entering into a preliminary memorandum of understanding with Shebah Exploration and Production Company Limited and Allenne British Virgin Islands Limited on 16 November 2010, granting it an exclusive option to lease or acquire the Trinity Spirit Floating Production Storage and Offloading ("**FPSO**") unit, which will allow Seplat to transport the oil from Sapele to this floating unit (see section 19.2.2 of this prospectus for a description of this agreement). To obtain this exclusive option, Seplat has paid Shebah Exploration and Production Company Limited a deposit of USD 15 million as an advance to be offset against the price of acquiring or leasing the FPSO unit or of treating crude oil via the FPSO unit to be agreed on by the parties in the event of the conclusion of a final agreement. Terms for reimbursing this advance are described in section 19.2.2 of this prospectus. Discussions are also ongoing with Panocean on the use of the pipeline between Amukpe and Escravos, upon which construction has recently started. Lastly, Seplat is considering other alternative transportation projects, in particular one between Sapele and Escravos and another between Sapele and the Warri refinery, and one using pipelines belonging to Platform and Agip. The Company cannot, however, guarantee that these alternative solutions will be available on the same terms, especially price terms, as those Seplat currently enjoys.

#### 4.2.5 Risks relating to dependency on customers

Seplat does not have its own structure for selling produced hydrocarbons to end users, and must therefore enter into agreements with companies specialising in this field.

The Company does not believe that Seplat is exposed to any counterparty risk in this regard since, as at the date of this prospectus, its production is sold to Shell Western Supply and Trading Limited, a firm governed by the laws of Barbados and a member of the Shell group, one of the most prominent oil groups worldwide (see section 6.3.5.5(b) of this prospectus for a description of this hydrocarbon purchase agreement).

However, Seplat remains exposed to other risks inherent to this type of contract, such as termination or renegotiation under less favourable conditions. Nevertheless, the Company does not consider Seplat to be in a position of dependency upon Shell Western Supply and Trading Limited or the Shell group, which also transports Seplat oil through Shell Petroleum Development Company of Nigeria Limited, a company governed by Nigerian law, and considers the consequences of such a risk arising to be limited in that there are numerous potential customers interested in buying Seplat's oil and alternative possibilities for transporting the oil produced within the relevant region (see section 4.2.4 of this prospectus).

#### 4.2.6 Risks relating to competition

In developing their activities beyond the present scope of their assets, the Company and Seplat may face competition from other oil companies for the acquisition of rights to oil licenses for the exploration or production of hydrocarbons. Due to its positioning and size, the main competitors of the Company and Seplat are "junior" or "mid-sized" oil companies.

The Company and Seplat may thus face competition from oil companies that have greater financial resources and thus a competitive advantage in relation to any vendors of oil rights.

However, the modest size of the Company and Seplat compared to the "majors" in the sector, and the latter's status as a Nigerian national represent an advantage in terms of functional flexibility and the ability to make decisions more rapidly, in addition to the marked preference of the Nigerian government for Nigerian enterprises. This functional flexibility and rapid decision-making may also lend the Company a competitive edge in other countries in which it envisions becoming active in the future.

#### 4.2.7 Risks relating to the lack of historical production data for OMLs 4, 38 and 41

Seplat does not have any detailed historical production data covering the operation of OMLs 4, 38 and 41 prior to its acquisition of 45% of the rights in these OMLs on 30 July 2010. This is because OMLs 4, 38 and 41 were incorporated into a broader set of OMLs operated by Shell as a whole and Shell did not keep historical production data records per well for OMLs 4, 38 and 41. It follows that Seplat and the Company do not have past production data per well, which could limit their ability to analyse and anticipate the future production rates of these wells. However, now that Seplat has operated OMLs 4, 38 and 41 for over one year, the Company believes that it and Seplat have enough production data to set reasonable and informed production objectives without any need for additional past production data. Moreover, the operational teams employed by the Shell group to operate OMLs 4, 38, and 41 were for the most part kept on by Seplat, allowing Seplat to analyse and interpret production data for OMLs 4, 38, and 41 in light of the team's experience with operating these OMLs. However, the possibility that the lack of detailed past production data for OMLs 4, 38 and 41 from before August 2010 may deprive Seplat and the Company of important information for operating the OMLs which, if known, might have allowed Seplat and the Company to optimize future production and related costs cannot be completely ruled out.

### 4.3 Risks relating to the establishment of Seplat in Nigeria

Seplat's business, of which the Company owns 45% (such shareholding interest being its sole significant operational asset), and its hydrocarbon reserves and resources are located in Nigeria, a developing country exposed to political and economic risks and risks in terms of the safety and security of people and goods that are significantly higher than in countries with more developed economies. Nigeria also has specific and restrictive regulations on the exploration and exploitation of hydrocarbons that could evolve to have a material adverse effect on Seplat's business as well as its outlook, financial position and results. As a result, the Company's investors and shareholders should take particular account of the risks described below, to which Seplat is exposed in this country.

The Company would also like to draw the attention of investors to the fact that any future investment by the Company in developing countries with characteristics like those of Nigeria may be subject to risks similar to those described below.

#### 4.3.1 Risks relating to the general political and economic climate in Nigeria

##### 4.3.1.1 *General risks relating to political and economic instability in Nigeria*

In general, political and economic instability in Nigeria exposes the Company and Seplat to the following risks:

- instability in the regulations applicable to the current or future activities of Seplat and the Company, which are particularly subject to licensing and permit requirements, laws and regulations and authorisations from government authorities for the exploration, development, construction, exploitation, production, marketing, pricing, transportation and storage of oil and gas and on the environment, health and safety and labour;
- a tightening of the tax regulations applicable to foreign investors (particularly relating to the taxation of financial flows (dividends and other flows) between local companies and their foreign parent companies);
- expropriation of Seplat (or the Company) or nationalisation of the assets thereof;
- termination or renegotiation under less favourable conditions of production sharing contracts or any other agreements entered into with the Nigerian government;
- restrictions on foreign exchange and capital transfer rules; and
- losses due to armed conflict or actions by terrorist groups (further details in section 4.3.1.2 of this prospectus).

The realisation of these risks could have a material adverse effect on the assets, projects, objectives, outlook, financial position and results of Seplat and the Company in Nigeria; in particular, it cannot be guaranteed that the permits, licenses or authorisations requested for the current or future operations of Seplat and the Company in Nigeria or in any other country exposed to similar risks will be granted and, if granted, will not be subject to more stringent or onerous conditions.

In addition, the political and economic instability in Nigeria could increase due to recent events that have occurred or are ongoing, particularly in Africa (Tunisia, Egypt, Libya, Sudan, Côte d'Ivoire and Gabon) and in Syria.

The Nigerian economy has been and could continue for some time to be affected by the current worldwide economic climate and the problems affecting national and international financial markets at this time, which could slow down its development (particularly in terms of infrastructure) and thus have a significant impact on the current activities or investment projects of Seplat or the Company in that or any other country. These difficulties could also increase the costs of current or future financing that Seplat or the Company may need for their investments in Nigeria or in any other country in which they may plan to establish operations, even to the extent of causing the financing of such projects to fail.

To limit the political and economic risks to which it is exposed in Nigeria, the Company relies on the experience and practical expertise of its Partners in Seplat (see section 5.1.2.5 of this prospectus), two local players in the oil industry that are well-established in Nigeria and enjoy a solid reputation in terms of both ethics and business, particularly in relationship with the Nigerian authorities. Political risks are also limited by the presence of directors representing the major Nigerian political and religious groups on Seplat's board who, in turn, have contacts in the various local communities in Nigeria.

#### *4.3.1.2 Risks relating to terrorist acts, armed conflict and criminal activities*

Terrorist activities, armed conflict, civil unrest and criminal activities in Nigeria, particularly in the Niger Delta and the Gulf of Guinea, may have a material adverse effect on oil and gas exports and the commodities market, as well as on Seplat's business, personnel, properties and facilities, and may significantly increase the cost of the security measures needed to deal with these potential problems. Moreover, energy assets could be exposed to risks that are more significant than for other potential targets.

Various militant groups with competing interests are active in the Niger Delta such as, in particular, the Ijaw movement for the emancipation of the Niger Delta, which supports the redistribution of oil revenues to local populations and claimed responsibility for two attacks on pipelines, in 2009 and 2010. Oil companies active in the Niger Delta region have scaled down their activities due to these attacks and the continuing unrest among local populations, criminal activities (threats of kidnapping, extortion, theft of equipment or oil, illegal bunkering), vandalism and the sabotage of infrastructures and facilities that can cause pollution, stoppages in production, oil routing cut-offs and temporary or permanent pull-outs by employees or subcontractors at some facilities.

In addition, recent riots connected with accusations of fraud during the Nigerian presidential election in April 2011 (leading to the re-election of the outgoing president, Goodluck Jonathan) claimed many victims and affected the country's stability. Despite such opposition, international observers have emphasised the democratic progress that has been made, as shown during the presidential election process. The US government characterised the handling of the Nigerian presidential election on 16 April 2011 as historic, noting that it represented a considerable improvement over the 2007 election. This analysis is shared by teams of observers from the African Union and the Economic Community of West African States (ECOWAS), which declared that the vote-counting process satisfied their criteria for fairness and transparency. In this regard, former Liberian president Amos Sawyer, head of the ECOWAS observers, confirmed to the press on 17 April that the 300 members of his team had detected "no major incident or irregularity" and characterised the vote-counting as "a historic step toward strengthening democracy and quality governance in Nigeria". According to press reports, former Ghanaian president John Kufuor, who led the African Union observers, echoed these statements, declaring the election to be fair and credible and deeming any allegation of fraud to be groundless.

Oil production companies like Seplat and their employees, however, could be caught up in the troubles surrounding the election if they continue, as could expatriates and employees of oil companies, who are prime targets.

More recently, a suicide bombing was carried out on 26 August 2011 against the United Nations headquarters in Abuja, the country's capital, causing the deaths of over 20 people and injuring over 70 more, which is a further illustration of the risk of terrorism in Nigeria.

To mitigate this risk, the Company has chosen to conduct its activities in Nigeria through Seplat, rather than establishing itself directly in the country. It also limits its exposition to these risks by relying on the experience and expertise of its local partners. Reflecting a Nigerian government policy that seeks to favour local enterprises in respect of the allocation of new exploration and production licenses, Seplat's Nigerian nationality means that it enjoys an advantageous relationship with the authorities and local populations and the rare incidents encountered by Seplat at its facilities or reserves since the acquisition of 45% of the interests in OMLs 4, 38 and 41 on 30 July 2010 have been managed directly by Seplat without creating any significant operating difficulties affecting its activities.

In this respect, prior to the acquisition of OMLs 4, 38, and 41 by Seplat, a number of incidents affecting the export pipelines and thefts of oil via hot tapping or access to the manifold, occurred in the areas covered by the OMLs, leading in 2008 to the stoppage of Shell's operations there. Since the acquisition of OMLs 4, 38, and 41 by Seplat however, incidents of this type concerning the export pipelines have been minor and sporadic. However, one incident did occur on 6 October 2011 at the Forcados pipeline operated by SPDC, which resulted in the stoppage of the oil deliveries made by Seplat to the Forcados terminal. The incident has since been resolved. Seplat now anticipates this type of stoppage affecting deliveries or production by allowing a total margin of 25 days' production in its annual production projections for any such incidents or for maintenance work. In addition, Seplat is currently negotiating the conclusion of a USD 100 million insurance policy for production stoppages, including a franchise of 21 days of production.

#### *4.3.1.3 Risks relating to the high levels of corruption*

Nigeria has experienced high levels of corruption in political circles and the business community, which could have a material adverse effect on the business and projects of Seplat and the Company in the country. The Company and Seplat could be exposed to the risk of illicit payments or hidden benefits being made by and granted by its employees, consultants or agents, especially in response to actual or attempted corruption or extortion.

To handle this phenomenon, the Nigerian Federal Government has decided to apply the principles of the Extractive Industries Transparency Initiative, established at a conference held at Lancaster House in London in 2003. In this respect, the Nigerian federal government has launched various investigations into the oil industry, especially targeting corruption. In early January 2011, the Nigerian Economic and Financial Crimes Commission (EFCC) arrested and questioned several foreign and domestic company executives from the Nigerian oil and gas industry who were suspected of having corrupted Nigerian officials and brought in three former governors for questioning. In June 2011, the Commission also questioned six former members of the National Assembly, including the former Deputy Speaker of the House of Representatives and the former leader of the parliamentary majority, as part of an investigation into accusations of corruption against the former Speaker of the House of Representatives, Dimeji Bankole. Mr Bankole was brought before the Federal High Court in Abuja on 9 June 2011 to answer 16 counts brought against him by the anti-corruption commission.

As at the date of this prospectus, the Company has no knowledge of any investigation in progress involving the Company itself, Seplat, its Partners or their management personnel or employees or of any circumstances or dealings likely to be cited against them or their management, agents and/or

employees in Nigeria. However, if such investigations were carried out in the future and acts of corruption or other illegal activities were discovered, civil or criminal penalties (including heavy fines) could be imposed on Seplat or the Company or their management personnel, agents and/or employees, which could have significant negative consequences for the reputation of Seplat and the Company, their ability to do business and the rights held by Seplat in Nigeria under the various contractual agreements and licenses in force, as well as leading to the loss of key employees.

To protect itself against such actions, the Company and its partners are particularly careful to uphold ethical values and to observe the associated rules and responsibilities. Seplat uses calls for tenders to protect itself against the potential threat of corruption or extortion. However, these prevention and training programmes and the internal procedures implemented could prove insufficient and Seplat and its executives could be answerable for acts committed by employees, consultants and agents.

#### *4.3.1.4 Risks relating to inadequate infrastructure of the Nigerian government*

Inadequate infrastructure or the poor management of existing infrastructure in Nigeria could lead to frequent failures in the power and water supply that could hinder the activities of hydrocarbon producers based there.

To remedy these problems, Seplat has direct recourse to alternative electricity and water production systems. The costs of purchasing and maintaining such alternative systems (such as power generators) are included in the development costs of Seplat's production facilities. As a result, the Company believes that Seplat's exposure to the risks connected with inadequate public infrastructure in Nigeria is limited. However, in the event of a prolonged failure in the power and water supply, these alternative systems might not suffice and this could have significant negative consequences for Seplat's business, outlook, financial position and results in Nigeria.

#### 4.3.2 Risks relating to oil industry legislation and the interpretation thereof by the courts

##### *4.3.2.1 Risks relating to changes in applicable regulations and the Nigerian government's intervention in the oil and gas industry*

The Nigerian government owns the country's mineral resources and grants hydrocarbon exploration and production rights under fixed term Oil Mining Licenses (OMLs), which can be renewed (see the following risk factor). It thus retains control over the exploration and exploitation of hydrocarbon reserves and, in numerous cases, acquires interests of its own through the state-owned oil company, the Nigerian National Petroleum Corporation ("NNPC"). The terms under which it holds interests in OMLs 4, 38 and 41, operated by Seplat, are defined in a joint operating agreement (see section 6.3.5.3 of this prospectus) and include the conditions for production sharing and the arrangements for work schedules involving these OMLs.

A breach of the obligations defined in the OMLs or in the joint operating agreement, whether intentional or otherwise, may be penalised by fines, penalties, restrictions or a withdrawal of the license, which may have a material adverse effect on the business, outlook, financial position and results of Seplat and the Company.

The oil and gas industry is also subject to a significant number of laws and regulations governing, in particular, the allocation of operation/production licenses, the taxes applicable to these operations, the royalties to be paid to the Nigerian government, the authorised production, the sharing of production with the NNPC or the Nigerian government, the transportation and storage of hydrocarbons, the various environmental requirements, oil exports and numerous other aspects of the oil and gas industry. The current and future operations of the Company and of Seplat are and will be subject to all such regulations.

Seplat's business, the valuation of the OMLs it operates and the Company's interests in Seplat could thus be substantially affected by any unfavourable change in the applicable regulations, particularly an increase in or the creation of any new taxes and levies involving the oil and gas industry, which could be significantly more substantial than in countries which are less regulated and which benefit from a more stable, foreseeable political context.

Consequently, the strategy and business of Seplat and of the Company in Nigeria largely depend on maintaining good relationships and cooperating with the authorities. While the Company believes that Seplat, its local Partners in Seplat and the Company itself have a close working relationship with the Nigerian government and the NNPC, there is no guarantee that this positive relationship will continue or that actions by the current or future governments will not seriously affect the business or financial position of Seplat and the Company. This relationship could, in particular, deteriorate due to future changes in the personnel or management of Seplat, the Company, the Nigerian authorities or the NNPC.

In terms of the risks concerning legislative changes, one recent reform and two tabled reforms should be mentioned.

#### *Local Content Act*

The Nigerian Oil and Gas Industry Content Development Act (the "**Local Content Act**") was enacted on 22 April 2010.

It provides in particular that any project or contract with a budget over USD 100 million must contain a specific labour clause requiring a minimum percentage of Nigerian employees; furthermore, the operator or developer of the project must limit the number of expatriates in management positions (the current limit is a maximum of 5%). Seplat has 165 employees, three of whom are expatriates, and is therefore in compliance with this legal limit.

The Local Content Act also imposes certain restrictions on obtaining risk insurance outside Nigeria without written consent from the Nigerian National Insurance Commission.

It provides that oil and gas industry operators must keep at least 10% of their operating income generated in Nigeria in a bank account in Nigeria. Although the Local Content Act does not state precisely what these funds may be used for, it seems in practice that they may be used to pay local operating costs, such as taxes or royalties. Any violation of the provisions of this law could constitute an offence punishable by a fine of 5% of the amount of the project for each project and could potentially lead to the cancellation of the project to which the violation pertains.

Seplat and the Company have anticipated the consequences of this law, which entered into force prior to Seplat's July 2010 acquisition of rights in the OMLs it operates. Subject to further developments, this law should not have any material adverse effect on Seplat's business that has not already been taken into account by Seplat in its operations.

#### *Petroleum Industry Bill of 2008*

The April 2011 re-election of Goodluck Jonathan as President of Nigeria could alter the fate of the Petroleum Industry Bill of 2008 (the "**PIB**"), which is aimed at significantly reforming the Nigerian Petroleum Industry. The content of this Bill, introduced under Mr Jonathan's predecessor, is still under discussion in the National Assembly, Nigeria's Federal Legislature, and its chances of adoption and its ultimate content have for several years been the subject of intense speculation, often reported in the Nigerian and international press.

The December 2008 version of this Bill contains a certain number of provisions, particularly concerning the following:

- (i) overhauling the entire Nigerian petroleum industry and reorganising the existing oversight and regulatory bodies (which, according to some commentators, could increase the administrative burden);
- (ii) authorising one of these bodies to withhold up to 2% of the taxes collected on oil and gas (which, according to some commentators, could entail risks of corruption);
- (iii) transforming the Nigerian National Petroleum Corporation (NNPC) into a private limited liability company and admission of part of its shares to trading on the stock market;
- (iv) providing that all future joint investments by the NNPC and companies from the private sector (and the formation of joint ventures for this purpose) in hydrocarbon exploitation licenses should be accomplished through special purpose vehicles created for each project and no longer through the direct acquisition of interests in these licenses, as is currently the case;
- (v) providing for a new legal framework for the operation of gas deposits which would, in particular, require separate licenses from those granted for oil production;
- (vi) introducing a new status for marginal fields (see section 6.4.3 of this prospectus), providing, in particular, for the expiry of exploitation rights for such fields when they have not been exploited for a period of 10 years;
- (vii) tightening environmental regulations, particularly by requiring operators to file an environmental assessment report and introducing an obligation to rehabilitate sites damaged by production activities;
- (viii) boosting the involvement of local players with more involvement of Nigerians in the boards of directors of operating companies (60%) and among their workforces (95%).

As the Bill now stands, it is difficult to assess in detail the consequences that the above-mentioned changes could have on the business of Seplat and the Company. In any event, this type of reform could, depending on its ultimate content, contain provisions that could have a material adverse effect on the business and financial position of Seplat and the Company.

Lastly, the Bill contains specific new tax provisions that could have a positive impact on the business and financial position of Seplat and the Company. They allow companies with "indigenous" status to benefit from more favourable tax treatment of oil revenues. The Bill thus provides for the application of a tax rate of 65% to the oil revenues of indigenous companies, whereas the rate under the normal tax rules applicable to other companies is set at 85%. Seplat currently benefits from a 5-year tax exemption of 65.75% applicable to new companies that have yet to amortise or depreciate their pre-production investments (see section 6.4.5.1 of this prospectus).

In order to benefit from this system, the companies (i.e., "indigenous" companies) must, as the bill is currently drafted, fulfil both of the following conditions:

- at least 60% of their share capital must be directly or indirectly held by Nigerian citizens, and
- their oil production must not exceed 50 Mbbl/d.

Insofar as the Company owns 45% of Seplat, the first condition would not be fulfilled. Seplat would therefore not be eligible for the preferential tax treatment. However, other versions of the bill included an investment threshold of 55%, subject to modification until the bill is adopted. In addition, if the bill is adopted in its current state, it might be possible to restructure Seplat's share capital in order to fulfil this condition. The conditions under which such a rearrangement might be carried out could, however, have an adverse effect on the interests of the Company in Seplat.

Regarding the second condition, the bill does not stipulate if the 50 Mbbl/d limit should be evaluated for each OML operated or for the operating company. In the latter case, Seplat could consider making the necessary structural changes in light of its production goals in order to benefit from the favorable provisions of this bill.

Currently, the PIB still appears to be under discussion after its first reading review of 2 December 2008 and uncertainty remains as to the date of the second reading, date of adoption and its ultimate content, which could be significantly different from that described above (including the favourable tax provisions discussed), considering the change in the Nigerian National Assembly occurring in June 2011. It would appear in fact that the change in legislature will make it necessary to restart the process of adopting the PIB, which had made considerable progress under the previous legislature. In addition, there are frequent reports in the press of bills tabled by Nigerian government departments containing provisions contrary to or different from those of the PIB, which only adds to the confusion surrounding the fate of this bill. From the entry into force of the PIB, Seplat's shareholders will evaluate the possible changes to be made to the structure of Seplat and its activities in order to benefit from the advantages set out in the PIB. In addition, the Seplat shareholders' agreement (see section 6.3.5.2 of this prospectus) provides that no assignment or transfer of Seplat shares that could affect Seplat's status as a Nigerian company may be undertaken without the authorisation of the Company.

#### *Gas Flaring Bill*

Similarly, the re-election of the Nigerian president could lead to the adoption of the Gas Flaring Bill submitted to the National Assembly in 2008. If adopted, the Gas Flaring Bill would set an end date for all gas flaring activities and significant penalties for gas flaring in Nigeria, mainly by imposing significant fines (the amount proposed is now USD 3.50 per Mcf). The Gas Flaring Bill was adopted by the Nigerian Senate in July 2009 and is now under discussion in the National Assembly's House of Representatives. If adopted, the Gas Flaring Bill should not have a significant impact on Seplat's operations as it only carries out gas flaring for its production in the Ovhor and Amukpe fields and in small quantities, due to the quality of the hydrocarbon produced. In addition, Seplat plans to stop this gas flaring in 2013 due to the installation of a compressor and a pipeline to carry the gas to Sapele. These facilities are part of broader plans for the construction of water separation facilities for a total cost of USD 15 million, to which reference is made in section 6.3.5.5(a) of this prospectus.

However, if the Gas Flaring Bill were to be adopted prior to the completion of the works that will enable Seplat to render all future gas flaring unnecessary, this could have negative consequences on the prospects, financial position and results of the Company and Seplat. However, these consequences should be very limited given the very low quantities of gas involved and the fact that Seplat will soon no longer need to resort to gas flaring at all due to the installation of the compressor described in the previous section.

The PIB and Gas Flaring Bill reforms were initiated nearly two years ago but will not take effect unless they become laws. In the meantime, uncertainties exist as to the degree of implementation of these reforms, their completion date and their possible impact on Nigeria's oil and gas industry.

#### 4.3.2.2 Risks relating to the transfer or non-renewal of the licenses (OMLs)

An acquisition or transfer of rights in exploitation licenses generally requires approval from the government, which could delay or hinder transfers of rights or growth operations for Seplat in Nigeria. Moreover, when these rights are transferred, the government may require Seplat to carry out certain operations within specific deadlines or impose various other constraints (involving payment of financial compensation, for example), which could have a material adverse effect on the business, results and outlook of Seplat and the Company in Nigeria.

In addition, Paragraph 14m of the First Schedule to the Petroleum Act provides that the renewal of OMLs is to be granted by the Nigerian government upon application from the license holder, provided that the latter has paid all rents and royalties due and has adhered to all obligations pertaining to such permits.

In this respect, section 59(d) of the Petroleum (Drilling and Production) Regulations states that license holders applying for a first renewal of their licenses must pay a fee of USD 1,000,000. Generally, an additional amount is then charged on top of this fee calculated, on a case-by-case basis, on the value of the reserves of the license in question. The Department of Petroleum Resources will also ensure that the license holder has paid all of the rents and royalties due under the license for which the renewal is requested. In the event that certain obligations pertaining to the license to be renewed have not been fulfilled and where the minister is nevertheless minded to renew it, the renewal costs applicable to the license may be increased if the holder fails to fulfil its obligations. The decision is made at the minister's discretion on a case-by-case basis.

Although the Petroleum Act does not indicate the number of renewals that may be given for the OMLs granted, these licenses generally contain stipulations that limit the number of renewals set forth in the authorisation to one. Beyond this sole renewal, negotiations may take place with Nigeria's Department of Petroleum Resources to obtain a second renewal. Second renewal is granted at the discretion of the Minister and may contain new terms.

When examining the renewal of OMLs, the Minister considers the following in particular:

- whether the fields covered by the authorisation produce at least 10 Mbbl/d;
- whether operations have been conducted in a continuous manner over the zone covered by the authorisation that is about to expire;
- whether operations have been conducted in earnest, in accordance with the work schedule approved under the terms of the license that is about to expire;
- whether the license holder has adhered to the provisions of the Petroleum Act and any obligations deriving from the specific terms of the OMLs;
- whether the license holder has paid the rents and royalties due;
- whether the license holder has submitted reports on its operations to the Minister in accordance with the law.

OMLs 4, 38 and 41 were first renewed on 1 July 1989 and will expire again on 30 June 2019. As indicated above, Seplat does not have an automatic right to renew these licenses. It will need to negotiate the renewal with the Minister and the conditions of this renewal, particularly the financial conditions, will depend on the outcome of these negotiations and could have an adverse impact on the prospects, financial situation and results of Seplat and the Company. The financial conditions for these renewals may be substantially different from those generally applied for a first renewal, as described above. In this regard, the financial conditions imposed by the Minister on the occasion of these renewals might substantially diverge from those generally applying on a first renewal, as

described above. Moreover, in the event of a discretionary refusal by the Minister to renew OMLs 4, 38 and 41 a second time, Seplat would be deprived of the only assets that it has in Nigeria as at the date of this prospectus. As indicated earlier, however, when examining a renewal application, the Minister looks at whether the operational and contractual conditions of the OMLs have been fulfilled and sets the financial conditions for the renewal. In this regard, since the Company and, to the best of its knowledge, Seplat have always complied with the legal, regulatory and contractual provisions applicable in Nigeria and to OMLs and given that Seplat is a Nigerian company, the Company has no reason to believe that a second renewal could not be obtained upon the expiry of OMLs 4, 38 and 41.

Lastly, in its presentation of the key aspects of its report on the 2010 PIB, a cross-party Senate Committee on the PIB unveiled changes to the license renewal procedure. Uncertainty surrounding the content of this provision and the consequences it may have on the conditions for renewing OMLs 4, 38 and 41 operated by Seplat could have a material adverse effect on Seplat's business in Nigeria.

#### *4.3.2.3 Risks relating to the interpretation and application of the law by the courts*

Nigerian courts offer less legal certainty than do the courts in a country like France, especially with regard to the interpretation of applicable regulations and the outcome and duration of proceedings, which could significantly inhibit the ability of the Company or Seplat to assert their rights in Nigeria.

In addition, the obligation imposed on local businesses, government authorities or bodies and the Company's partners in Seplat to meet their legal obligations and contractual commitments may be uncertain and the rights of recourse to remedy any non-compliance could be limited.

In particular, the lack of legal clarity and of rules for the interpretation of laws and regulations by the courts and public authorities, the lack of consistency in the application of laws by certain courts and the resulting inability of local counsel to provide opinions on their interpretation, the discretionary decisions of government authorities, the inconsistencies or conflicts that may exist between the various laws, regulations, decrees and other binding sources and the excessive delays in judicial proceedings all constitute risks to which the Company could be exposed in order to assert its rights, especially in terms of the oil licenses in which Seplat has rights. Furthermore, these uncertainties prevent the establishment of a guarantee that the contracts, joint ventures, licenses, license applications and any other legal documents will not be significantly affected in the future by conduct on the part of government authorities or that such instruments will have force of law and be enforceable in Nigeria, especially in terms of the rights held by the Company under the shareholders' agreement binding it to its partners in Seplat.

In order to limit these risks, the Company relies on the experience and practical expertise of its local partners in Seplat and on recourse to premier legal counsel and tax advisors whenever necessary, as was the case, in particular, when Seplat acquired 45% of the rights in OMLs 4, 38 and 41 and when it established the agreements with the partners.

## **4.4 Industrial and environmental risks**

The Company, through its equity interest in Seplat, is faced with the industrial and environmental risks inherent to hydrocarbon exploration and production activities. Among these risks are eruptions of crude oil or natural gas during drilling, wellhead cave-ins and spills or leaks of hydrocarbons, leading, in particular, to risks of toxic spillage, fire or explosions.

All these events are capable of damaging or destroying the hydrocarbon wells in production and surrounding facilities, endangering human lives or property, leading to business interruptions and causing environmental damage with certain direct consequences for the health and economic wellbeing of local communities.

The following risks apply in addition to the usual exploration and production risks.

Seplat is exposed to all these risks in respect of the past and the future because under the assignment in which it acquired 45% of the rights in OMLs 4, 38 and 41 (see section 6.3.5.1 of this prospectus), responsibility for environmental liabilities arising from these OMLs (including rehabilitation costs) before or after the closing date for the rights in question (i.e., 30 July 2010) are to be borne by Seplat.

#### 4.4.1 Risks relating to a lack of authorisation and/or approval for existing equipment and for pipeline installation

Seplat has the necessary surface facilities and pipelines for its operations. The installation and use of this equipment is subject to authorisation from the Nigerian authorities, including the Department of Petroleum Resources.

During audits conducted by Environmental Resources Management, this company's auditors verified the validity of the permits for the main pipelines but were unable to check all the equipment permits for other oil facilities (set up and operation of oil wells and premises used by Seplat), as some permits were not available for the audit. At the time, Seplat was asked to ensure that all exploitation authorisations or other applicable authorisations were still in force and valid for all its assets. In the event that, further to an inspection, it were to reveal that some of these authorisations have not been obtained, are invalid, or have become so, Seplat could face administrative penalties, including fines, which could have an adverse effect on Seplat's business in Nigeria.

However, to the best of the Company's knowledge, Seplat does hold the main permits and authorisations required for conducting its business and the Company, having no knowledge of any particular issue in this respect, believes that any permits or authorisations that may be missing, invalid, or expired would only involve minor authorizations and permits and should not, if the case does arise, have any more than a limited effect on Seplat and the Company's business, financial situation, and revenue.

Furthermore, Seplat is seeking to implement alternatives to existing systems for the routing of its extracted hydrocarbons against its future production targets. Although the crude handling agreement concluded with Shell Petroleum Development Company on 30 July 2010 (described in section 6.3.5.5(a) of this prospectus) should allow Seplat to transport all production under OMLs 4, 38 and 41, on a 100% basis, until 31 December 2012 (when the production target based on well outflow is expected to reach 50 Mbb/d for a contractual transportation capacity of 52 Mbb/d, which may be extended to 62.4 Mbb/d) (see section 6.3.5.5(a) of this prospectus), Seplat may need additional transport capacity beyond that date. Seplat is therefore currently reviewing alternative routing solutions for its production (see section 4.2.4 above).

In compliance with the regulations applicable in Nigeria relating to the implementation of alternative routing systems, Seplat has embarked on the preliminary studies necessary to obtain the authorisations and approvals needed to install the pipelines.

If Seplat is unable to obtain the authorisations and/or approvals necessary to construct the pipelines for the transportation of the hydrocarbons produced, this could have a material adverse effect on Seplat's business in Nigeria, in particular as it could force Seplat to adopt more costly solutions for transporting hydrocarbons or to reconsider its production targets.

#### 4.4.2 Risks relating to gas flaring

As part of its exploitation of OMLs 4, 38 and 41, Seplat extracts oil as well as the associated gas, i.e., the free gas produced by the gas reservoirs. This gas is currently being used mainly to satisfy

the obligation to supply gas to the domestic market. A residual amount of associated gas was flared on various sites, and continues to be so over Ovhor and Amukpe sites.

However, the flaring of associated gas is prohibited in Nigeria unless special authorisation is obtained from the Petroleum Minister, under certain conditions and with the payment of a royalty (see section 6.4.4.1 of this prospectus). The adoption of the Gas Flaring Bill would reinforce the regulations already in force still further, significantly increasing the amount of royalties to be paid (see section 4.3.2.1 of this prospectus).

At the time of the Environmental Resources Management audit in March 2011, Seplat was unable to provide that company with all of the documentation on the authorisations for the sites at which associated gas is flared (Ovhor and Amukpe as at the date of this prospectus), preventing the firm from validating the compliance of certain facilities with legal requirements and from identifying the ultimate amount of certain royalties paid or that should be paid for gas flaring.

If it were to be determined that gas has been flared or is being flared without authorisation, this violation of the applicable regulations could result in judicial or administrative proceedings leading to orders to cease flaring for the field or fields where the violation was committed and/or the payment of fines and royalties in arrears by Seplat. However, given the limited quantity of gas involved, these possible infringements should have no material adverse effect on the perspectives, the financial situation and the results of Seplat. Moreover, this risk should gradually disappear with respect to current production due to the facilities scheduled for completion in early 2013 in order to completely end all gas flaring at the fields that are currently exploited (see section 4.3.2.1 of this prospectus).

#### 4.4.3 Risks relating to noise pollution

Seplat produces noise emissions, particularly from generators, engines/motors and flare stacks as is the case in Amukpe. This noise pollution may cause intermittent but repeated disturbances or have serious repercussions on the health of local inhabitants and their quality of life.

In order to determine the impact of noise emissions on surrounding populations, off-site noise levels must be measured regularly, a practice that Seplat has not yet implemented. The noise pollution levels to which local inhabitants are exposed are therefore uncertain.

Non-compliance with the Nigerian law on noise pollution, the National Environment Standards and Regulations Enforcement Agency (Establishment) Act, 2007, puts Seplat at risk of fines of NGN 500,000 (approximately EUR 2,300 at the date of this prospectus) per offence and periodic penalty payments.

In addition, the local inhabitants exposed to high noise pollution levels could bring legal action against Seplat to oblige it to implement corrective measures, including, in particular, the construction of sound barriers or relocation of the most-exposed inhabitants to areas outside the zones with high noise emissions (provided that the dwellings involved were built prior to the facilities at issue) or compensation for the nuisance suffered, which could have an adverse impact on the development prospects, business and investments of Seplat and the Company.

To limit this risk, Seplat is currently looking into the possibility of relocating the Amukpe facilities to a site away from residential areas.

#### 4.4.4 Risks relating to water and subsoil quality

Seplat's oil exploration/production activities can endanger water resources and the quality of subsoil, especially in the case of hydrocarbon spills into groundwater or the subsoil. These spills could affect crops in the vicinity of OMLs 4 and 41, the forest reserve located near OML 4 and the inhabitants of the town of Sapele.

Since acquiring OMLs 4, 38 and 41, Seplat has identified contaminated soil close to certain fuel storage areas and some of the motors used by its facilities, hydrocarbon spills along pipelines and around collectors located near crude oil wells and a plot of land contaminated by an accidental spill near the Amukpe pumping station.

As at the date of this prospectus, no legal action has been brought with respect to this contamination but Seplat could still face legal action therefore, along with any new contamination deriving from its facilities, and have to bear the costs of cleaning up the contaminated land, which could have a material adverse effect on the development prospects, business and investments of Seplat and the Company.

#### 4.4.5 Preventive measures

To limit industrial and environmental risks, the Company has regular discussions with its Seplat partners to ensure that Seplat pays constant attention to prevent industrial and environmental risks at Seplat's production sites and ensure, wherever possible, that all of the regulatory constraints applicable in Nigeria are met. In this regard, an audit of the environmental risks affecting Seplat was conducted in March 2011 by Environmental Resources Management. The main conclusions of this study are described in sections 8.2 *et seq.* of this prospectus and some of the risks identified in that study have been described above. Furthermore, some of these risks are covered by specific insurance policies (see section 4.9 of this prospectus).

In addition, under the Environmental Impact Assessment Act (see section 6.5.1.1 of this prospectus), Seplat is required to conduct an environmental impact assessment prior to starting any expansion or development project. This assessment enables Seplat to examine and evaluate safety risks and the potential environmental impact of the work envisioned. In order to identify, quantify and prevent the emergence of such risks, Seplat relies on its internal expertise and on outside experts approved by the relevant administration.

In addition, Seplat systematically seeks to obtain approval from the relevant ministries for its surface facilities, particularly with respect to their safety. These approvals may also be required by Seplat's insurers and/or by the Nigerian government (public safety). However, they cannot always prevent accidents, which could have a material adverse effect on Seplat's business, the financial consequences of which may not be fully covered by Seplat's insurance policies.

### **4.5 Financial risks**

#### 4.5.1 Risk of fluctuations in hydrocarbon prices

Both the economy and, in particular, the profitability of the oil and gas industry are highly sensitive to hydrocarbon prices expressed in US dollars. As a result, the cash flow and forecasts of the Company and Seplat are strongly impacted by changes in hydrocarbon prices expressed in US dollars.

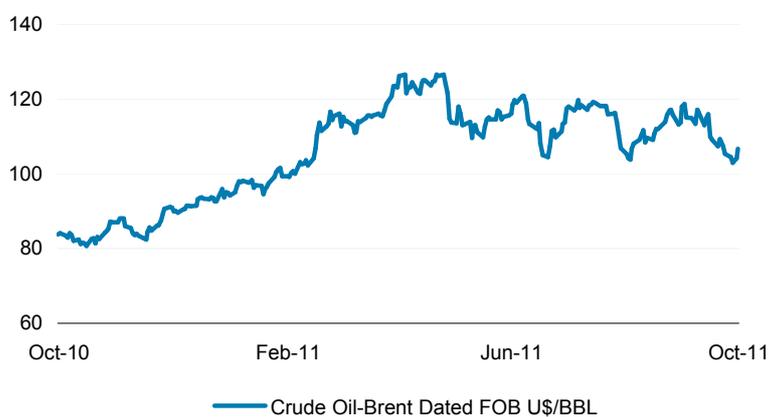
As at the date of this prospectus, no specific policy for hedging against this risk has been implemented by the Company or Seplat especially due to the implementation costs and unfavourable tax treatment that would apply thereto. However, the Company and Seplat have not ruled out the possibility of using hedging instruments if the applicable costs and tax rules become more favourable or if justified by the change in the price of oil.

Under the Bridge Loan concluded by Seplat with African Export Import Bank and Skye Bank Plc on 29 March 2011, as amended by amendments dated 22 July 2011 and 29 July 2011, Seplat undertook, at the request of African Export Import Bank, to conclude a hedging contract against the risk that the price of oil will fall below USD 60 per barrel. To date, Seplat has not been notified of any requests pertaining to the conclusion of this hedging contract by the arranger of the Bridge Loan, as amended, and the price of oil per barrel amounted to USD 110.8 as at 2 November 2011.

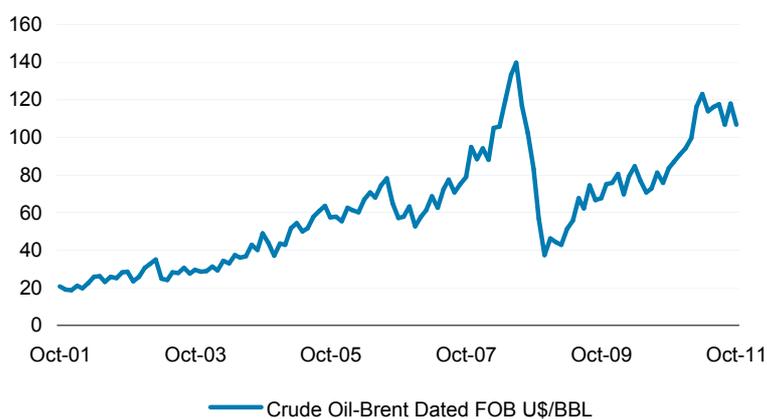
The following table presents an analysis of the sensitivity of the Company's consolidated equity and income to fluctuations in hydrocarbon prices as at 30 June 2011 (in thousands of EUR):

Percentage change	Changes in barrel price	
	+10%	-10%
Impact on consolidated income before income tax	6.1	(6.1)
Impact on consolidated equity before income tax	6.1	(6.1)

### 1Y HISTORICAL BRENT PRICES



### 10Y HISTORICAL BRENT PRICES



#### 4.5.2 Foreign exchange risk

Although the Company's reporting currency is the euro, Seplat's operating currency is the US dollar as its sales, the majority of its operating expenses and a significant portion of its investments are all carried out in this currency. Consequently, the Company's consolidated finances are highly sensitive to the EUR/USD exchange rate. Expenses in nairas (the Nigerian currency) represent about 30% of total expenditures.

The impact on consolidated equity and income of a 10% rise or fall in the EUR/USD exchange rate as at 30 June 2011 is shown below (in millions of EUR):

	Impact on consolidated income before income tax		Impact on consolidated equity before income tax	
	10% rise in €//\$ parity	10% fall in €//\$ parity	10% rise in €//\$ parity	10% fall in €//\$ parity
USD	(4.1)	5.0	(0.1)	0.2

In order to limit its exposure to foreign exchange risk, the Company occasionally employs hedging strategies which use derivative instruments (currency futures and foreign exchange options) and maintains a portion of its cash and cash equivalents in US dollars in order to finance foreseeable investment expenses in US dollars.

As at the date of this prospectus, there is no foreign exchange hedging in place.

Currency exchange risks as at 31 December 2010 are set out in detail in the consolidated financial statements as at 31 December 2010 at note 22.

As at 30 June 2011, the Company's consolidated foreign exchange position stood at USD 91.4 million (including non-current financial assets and not including EUR 1.4 million in exchange gains/losses recorded for equity) may be analysed as follows\* (in million USD):

	Assets (a)	Liabilities (b)	Currency commitments (c)	Net position before hedging (d) = (a)-(b)+/(c)	Hedging instruments (e)	Net position after hedging (f) = (d) - (e)
Trade receivables and payables	0	0		0		0
Non-current financial assets	25.9	0		25.9		25.9
Other current assets	65.5	0		65.5		65.5
Derivatives	0	0		0		0
Other accounts payable and other liabilities	0	0		0		0
Cash and cash equivalents	0	0		0		0
<b>Exposure</b>	<b>91.4</b>	<b>0</b>	<b>0</b>	<b>91.4</b>	<b>0</b>	<b>91.4</b>

\*This table takes EUR/USD exchange rate gains or losses into account.

The Company's exposure to exchange gains/losses for 2011 (for other current assets and other current liabilities) is presented in the table below (excluding the effect of converting Seplat's financial statements into euros, the presentation currency for the Company's consolidated accounts):

	<b>Receivables and debts (1)</b>	<b>Future cash flows (2)</b>	<b>Net position before hedging (3)</b>	<b>Off-balance-sheet position (4)</b>	<b>Net position after hedging (5)</b>
<b><i>In millions of USD</i></b>	65.5	0	65.5	-	65.5

(1) The receivables and debts in foreign currency correspond to consolidated current assets and liabilities denominated in USD for the consolidated group as at the closing of accounts on 30 June 2011.

(2) Future cash flows correspond to consolidated cash flows in foreign currency forecast for the second half of fiscal year 2011, before receivables and debts as at 30 June 2011. Future consolidated cash flow for the Company will be generated by Seplat in USD. They will therefore not incur any risk of exchange losses.

(3) The net position before hedging thus corresponds to all cash flows deriving from receivables and debts as at 30 June 2011 and cash flows forecast for fiscal year 2011.

(4) N/A.

(5) The net position before hedging shows the exposure to foreign exchange risk after considering hedging instruments, if any, over the entire fiscal year 2011.

#### 4.5.3 Liquidity risk

As is the case of all industrial and commercial businesses, the Company is exposed to the risk of insufficient liquidity or the risk that its financial strategy will be inadequate.

To limit this risk, the Company maintains a balance between its debt and its shareholders' equity, on the one hand, and its indebtedness and its ability to repay, on the other, which complies with the ratios that are generally considered prudent. Its financing options are reviewed and validated by the board of directors. A report on the financing lines available as at 30 June 2011 is included in Note 8 to the consolidated half-yearly financial statements as at 30 June 2011. A summary of the financial statements is given in section 20.6.1 of this prospectus.

The Company's debt ratios as at 30 June 2011 were as follows:

- net consolidated debt/equity: 26%; and
- current assets/liabilities: 106%.

As at 30 June 2011, the contractual maturity dates for the financial liabilities all fall within the next twelve months.

The data as at 30 June 2011 shown above do not account for the partial reimbursement of the shareholder loan (see section 6.3.5.4(b) of this prospectus) for USD 75 million carried out in September 2011, the operations prior to the Distribution, including in particular the Company's EUR 105 million share capital increase to be subscribed for in full by Maurel & Prom prior to the Distribution (see section 26.1.7 of this prospectus), or the ongoing negotiations relating to the Bridge Loan, as amended and as described in section 6.3.5.4(a) of this prospectus.

The Company has undertaken a specific review of its liquidity risk and considers itself capable of meeting all forthcoming payment dates over the next twelve months.

#### 4.5.4 Interest rate risk

The terms and conditions of the loans and the structure of the financing used by the Company and Seplat are detailed in sections 6.3.5.4 and 20 of this prospectus and in Notes 22 and 23 to the financial statements.

Seplat's external borrowing capacity amounts to USD 550 million for the variable rate Bridge Loan, as amended, for which USD 275 million is currently outstanding. Pursuant to the provisions of the Bridge Loan, as amended, the applicable interest rate is limited to 10% per annum (subject to the reserves stated in section 6.3.5.4(a) of this prospectus). As at the date of this prospectus, neither the Company nor Seplat has set up any hedging instruments to protect themselves against an increase of the Bridge Loan interest rate to 10%.

In addition, the Company used a rate of slightly more than 10% for fiscal year 2011 (due to commissions paid pursuant to the set-up of the Bridge Loan) and 9% for years 2012 and 2013 in its business plan.

#### 4.5.5 Counterparty risk

The Company is exposed to counterparty risk with respect to:

- loans and credit granted to certain customers and other third parties as part of Seplat's operating activities, and
- investment, hedging and financing transactions conducted with banks or financial institutions by the Company and/or Seplat.

The Company considers the first risk to be limited, to the extent that Seplat's sole customer (as at the date of this prospectus) is Shell Trading Western Limited, part of the internationally established Shell group.

The Company also believes that the second risk is limited, in that the principle financial operations carried out by the Company and Seplat are handled by top tier banking and financial institutions. There were no counterparty issues in financial year 2010.

#### 4.5.6 Risks of dependency

The Company is subject to risks connected with the fact that it holds only 45% of the share capital and voting rights in Seplat and that this minority interest is its only operational asset in Nigeria as at the date hereof (see section 4.1 above).

The Company believes that Seplat is not subject to any dependency risk in relation to its clientele, even though it currently only has one customer, given that a significant number of other oil companies are likely to be interested in purchasing the oil that it extracts. If Seplat were to find another purchaser for its hydrocarbons, the conditions offered by that purchaser could be significantly less favourable than those which Seplat enjoys with Shell Western Supply and Trading Limited (Shell group), which could affect the financial position, results and outlook of Seplat and the Company.

In addition, Seplat does not own all of the pipeline network it uses to transport its hydrocarbons; the final section of the network is made available to it by SPDC (Shell group) (see section 6.3.5.5(a) of this prospectus). Seplat's operations are extremely dependent upon infrastructure possessed and managed by a third party for transporting its hydrocarbons. As a result, it is possible that this infrastructure may one day cease to be available under the current commercial conditions or due to an accident, acts of terrorism or vandalism, which could significantly inhibit Seplat's capacity to transport the hydrocarbons produced if alternative transport solutions are not available at that time or could force it to transport its production at a higher cost to ensure compliance with its contractual obligations to deliver crude oil. This situation could then have a significant adverse impact on the business, financial position, results and outlook of Seplat and the Company.

To mitigate this risk of dependency, Seplat is reviewing alternative solutions to transport its hydrocarbons, as described in detail in section 4.2.4 of this prospectus.

## **4.6 Legal risks**

### **4.6.1 Risks relating to the hydrocarbons sector in Nigeria**

For legal risks specific to the hydrocarbons industry in Nigeria, see section 4.3.2 above.

### **4.6.2 Risks relating to accidents not covered by insurance**

For the risks relating to accidents not covered by insurance, see section 4.9 below.

### **4.6.3 Litigation risks**

With regard to risks relating to litigation, as at the date of this prospectus neither the Company nor Seplat is involved in any governmental, judicial or arbitration proceedings including any pending or threatened proceedings known to the Company that have or could have had, over the last 12 months, a significant impact on the Company's financial position or profitability, with the exception of a dispute brought by Messrs Jolly, Ogholoja and Anor concerning the acquisition of wells 4, 5 and 6 located in the Obotie "cut up" near Sapele in the Delta State. Messrs Jolly, Ogholoja and Anor, having brought an action against Shell, have now brought Seplat into the dispute to obtain compensation for damage resulting from the acquisition of the land and the recognition of the eligibility of the Obotie community with respect to the memorandum of understanding entered into by Seplat with the local communities around OMLs 4, 38 and 41 and to the benefits provided therein (see section 6.3.5.7 of this prospectus). Following the last hearing on 28 July 2011 concerning Seplat's role in the litigation, another hearing was scheduled for 28 October 2011. Seplat's Nigerian legal advisors believe that the financial risk to Seplat in this litigation should not exceed Nigerian nairas 100,000,000 (about EUR 450,000).

Lastly, the Company is not aware of any enquiry in progress or announced by the French tax authorities, the URSSAF [social security contributions agency] or the competition authorities involving the Company, or involving Seplat by the equivalent Nigerian authorities.

### **4.6.4 Risks relating to the contractual relationships of the Company and Seplat**

In line with the practices currently in force in the hydrocarbons exploration and production industry, the contractual relationships maintained by the Company and Seplat with their partners may be governed by agreements that are not necessarily in writing. This lack of written agreements may cause a certain amount of uncertainty in terms of the interpretation of certain rights or obligations of the parties to the agreement and may lead to disagreements over their content or scope. This could have adverse consequences for the business, prospects, financial situation and/or results of the Company and Seplat.

In addition, the description of these contractual relationships included in this prospectus has been prepared by the Company. It has not been submitted for verification to the partners of the Company or of Seplat and does not necessarily reflect their interpretation of the rights and obligations deriving from these agreements. Consequently, disagreements could occur as to the interpretation of certain rights or obligations deriving from these agreements, which could have a significant adverse impact on the business, prospects, financial situation and/or results of the Company and Seplat.

The Company however deems that the description of these agreements that appears in the prospectus (especially in section 6.3.5 of this prospectus) is a reflection of its true understanding of how the provisions of these agreements are to be interpreted, of the obligations they establish and specific risks of each, and that to the best of its knowledge, no unwritten agreement is capable of casting doubt on the description of these agreements contained in this prospectus.

## 4.7 Other risks

### 4.7.1 Risks relating to the Distribution and to operational dependency on the Maurel & Prom Group

The Company's business has, until now, been carried out within the context of the Maurel & Prom Group, using internal procedures adapted to its status as a listed company; the Company will no longer benefit from these procedures after the Distribution.

Consequently, the Company is in the process of establishing the necessary structures for it to act as an independent entity and to comply with its status as a listed company. However, this undertaking could be time-consuming and, during the transitional period, the Company will have to procure certain services to ensure the continuity of its operations and to manage its status as a listed company. To that end, the Maurel & Prom Group has committed itself to providing the Company with a certain number of administrative and operational services for a period that could last up to 12 months from the Distribution, renewable once at the Company's request (see section 19.1.1 of this prospectus). This agreement would enable the Company to meet its obligations under the service contract, pursuant to which the Company itself undertook to render certain services to Seplat (see section 19.2.1 of this prospectus).

Under this service contract between Maurel & Prom and the Company, Maurel & Prom will provide the Company, until such time as it can form its own teams, with a team of 10 people, including three engineers who will be seconded to Seplat, four technical and strategic experts and three people dedicated to Company support functions. These engineers and technical and strategy experts will be fully dedicated to the Company while the support function employees will be shared on a temporary basis with Maurel & Prom.

The expiry of or failure to perform this contract in whole or in part could disrupt the Company's operations if it is unable to perform the functions concerned internally. It could also give rise to significant costs to ensure continued delivery of these services (either due to new hirings needed to cover these functions internally or the need to resort to other external service providers).

A change of control at Maurel & Prom could also affect the quality of the relationship between Maurel & Prom and the Company, as well as the performance of the agreement at issue, which could have a material adverse effect on the Company's organisation and operations during the transitional period.

In addition, because of its exit from the Maurel & Prom group, the Company must commit significant financial and material resources to publicizing its new name and acquiring a reputation and attractiveness for its financial and business partners and for customers and suppliers. The Company may suffer from a lack of name recognition after the Distribution for a transitional period.

Lastly, the Company may encounter difficulties negotiating agreements with existing or new business partners on equivalent terms to those secured by Maurel & Prom (especially in terms of financing) due to its reduced name-recognition and financial capacity.

### 4.7.2 Risks relating to the tax treatment of the Distribution for Maurel & Prom shareholders

The dividend in kind paid in Company shares to the shareholders of Maurel & Prom who are entitled to participate in the Distribution will be subject to the same tax rules as the cash dividends usually distributed by Maurel & Prom to its shareholders, as decided at the annual general meeting of Maurel & Prom's shareholders.

The financial intermediaries will be obliged to withhold the amounts corresponding to the taxes and social contributions payable for the Distribution, particularly those relating to the *prélèvement*

*forfaitaire libératoire* [flat-rate contribution] for those shareholders having opted for this tax system (see section 26.2.10.1 of this prospectus).

The financial intermediaries will debit the amounts payable for these taxes and social contributions in their entirety or in part from the cash dividend accounts (in credit) held by those Maurel & Prom shareholders entitled to the dividend, as decided during the general meeting of 29 June 2011, or, as applicable, from any other cash accounts in credit held by the financial intermediaries in the name and on behalf of the shareholder in question. If the social contributions and taxes pertaining to the Distribution cannot be debited from a dividend account or another cash account in credit held by the relevant Maurel & Prom shareholder entitled to participate in the Distribution, the financial intermediaries may need to assign all or part of the Company shares received by the shareholder in order to pay these amounts.

#### 4.7.3 The Company's shares have never been traded on a financial market

As at the date of this prospectus, the Company's shares have never been admitted to trading on a regulated market or other markets. The initial prices for the Company's shares on the regulated market of NYSE Euronext in Paris will result from a comparison of the initial market orders, the nature and size of which will depend on a certain number of factors, particularly the prevailing market and economic conditions, the Company's results, the state of the Company's business, its management and the degree of interest from investors and, as applicable, sales on the market carried out by Company shareholders who have received Company shares via the Distribution. These prices may not reflect the Company's share price in subsequent months, when the various market players will have more information about the Company.

Although the Company has applied for the admission of its shares to trading on the regulated market of NYSE Euronext in Paris, it cannot guarantee, after the Distribution, the existence of a liquid market for its shares or that such a market, if it develops, will be sufficient or adequate for the shareholders or will endure. If a liquid market for the Company's shares does not develop, the liquidity and price of the shares may be affected.

#### 4.7.4 The price of the Company's shares may be volatile and subject to market fluctuations

In recent years, the financial markets have been subject to significant fluctuations, which at times have not reflected the results of the companies whose shares are traded thereupon. Market fluctuations and the economic climate could significantly affect the price of the Company's shares.

The price of the Company's shares could also be influenced by numerous events affecting the Company, Seplat, its competitors, general economic conditions and the oil and gas sectors in particular. The prices of the Company's shares could also fluctuate significantly in reaction to such events as:

- changes in the financial results of the Company, Seplat or its competitors from one period to another;
- changes in the estimates of hydrocarbon reserves for the OMLs operated by Seplat from one period to another;
- announcements by competitors or concerning the oil or gas sector;
- announcements relating to changes in the shareholding base of the Company or Seplat;
- announcements relating to changes in the management team or key personnel of the Company or Seplat;
- changes in the future outlook or strategy of the Company and/or Seplat, of their business or of the oil and gas sectors;

- changes in the content of research analyses involving the Company and/or Seplat;
- changes in economic and market conditions; and
- political and criminal risks in Nigeria.

Lastly, after the Distribution, the shareholders of the Company may sell a more or less large number of the Company shares that they will receive in connection with the Distribution, which could have an adverse impact on the market price of the Company in the short to medium term.

#### 4.7.5 Risks relating to the Company's shareholders and management

Immediately after the Distribution, the principal shareholder of Maurel & Prom, Pacifico, will hold slightly less than 25% of the Company's share capital and voting rights (on the basis of the Maurel & Prom float as at 31 July 2011).

This significant shareholding could delay or prevent a third party from purchasing the Company's shares (particularly through the launch of a public offering) if Pacifico does not support such an acquisition.

Pacifico's ability to prevent or delay this type of transaction could have an adverse impact on the liquidity and market price of the Company's shares.

Moreover, given that the float will amount to approximately 67% on the date of the Distribution (based on the float of Maurel & Prom at 31 July 2011), the Company cannot guarantee that subsequent ordinary general meetings will meet the necessary quorum and majority conditions for the adoption of certain decisions required for the development of the Company.

In addition, it cannot be ruled out that conflicts of interest may arise between the Company and Maurel & Prom, with respect, in particular, to the performance of the contracts and agreements described in section 19 of this prospectus and especially due to the sharing of directors between Maurel & Prom and the Company and the appointment of the chairman and chief executive officer of Maurel & Prom as the chairman of the board of directors of the Company and the Maurel & Prom chief financial officer as Company managing director. However, Maurel & Prom and the Company will make every endeavour to avoid all conflicts of interest, in particular by setting up internal control procedures designed to limit these risks.

#### 4.7.6 Risks relating to the entry into force of the IFRS11 standard on 1 January 2013

With publication of the IFRS11 standard "Joint Arrangements" on 12 May 2011 by the International Accounting Standards Board, which will apply as from fiscal years beginning on 1 January 2013, it might be necessary to recognise the Company's stake in Seplat – depending on how the concept of joint control of Seplat by the Company is analysed – using the equity method rather than the proportionate consolidation method as it does now. If the equity method is used, this could result in the detailed consolidated financial information regarding Seplat, which is currently integrated with the Company's consolidated financial statements as at 31 December 2010 and 30 June 2011 (see sections 20.1.1.1 and 20.6.1 of this prospectus), no longer appearing in the Company's financial statements beginning with fiscal year 2013. This would mean that Company shareholders would no longer be given detailed accounting information on Seplat's business, if the Company does not significantly develop the contours of its operational assets in the meantime. In other words, investors would no longer have the main financial aggregates they use as a basis for their investment decisions in relation to the Company.

Therefore if, by the time this standard goes into effect, the Company's main operational asset is still its stake in Seplat and if such stake must be accounted for in the Company's accounts using the equity method pursuant to the new standard, the Company undertakes to publish Seplat's financial statements so that the Company's investors and shareholders can continue to have financial and

accounting information on the Company's business in Nigeria comparable to the financial information the Company has provided for previous fiscal years.

#### **4.8 Risks relating to indebtedness**

As at 30 June 2011, the Company's gross consolidated debt amounted to EUR 65,753,000 and its net debt to EUR 34,638,000. As at 30 June 2011, Seplat's gross debt amounted to EUR 238,734,000 and its net debt to EUR 73,813,000 (on the basis of a EUR/USD exchange rate of 1.3503). Seplat's debts are mainly composed of the amended Bridge Loan used to refinance the USD 187 million loan granted by BNP Paribas to Seplat to pay part of the acquisition price for rights in OMLs 4, 38 et 41 (see section 6.4.5.4 of this prospectus) and part of the Shareholder Loan (see section 6.3.5.4(b) of this prospectus). Since mid-September, the parties to the amended Bridge Loan are negotiating to aggregate Tranche A to Tranche B and to submit Tranche A to the same conditions, including those applicable to reimbursement and maturity. Skye Bank Plc has already agreed that USD 50 million of the sums it loaned in Tranche A may be made subject to the rules for Tranche B (see section 3.2.3 of this prospectus). Negotiations are underway with African Export-Import Bank to have the balance of Tranche A (i.e., USD 150 million) added to the amount for Tranche B, so that the current Tranche B amount of USD 400 million (of which USD 125 million have been drawn down as at the date of this prospectus) would be increased to USD 550 million. As at the date of this prospectus, USD 275 million have been drawn down under the Bridge Loan (as amended), of which USD 150 million under Tranche A and USD 125 million under Tranche B.

Given Seplat's current level of debt, it cannot be guaranteed that it will be able to generate sufficient liquidity in the future to meet its obligations or generate sufficient income to cover its fixed costs. This could require it to set aside a considerable portion of the cash flow generated by its business activities to debt servicing, thereby reducing the amounts that can be repaid for the Shareholder Loan under the conditions set out in the Shareholders' Agreement (see section 6.3.5.4(b) of this prospectus) or Seplat's ability to finance investments in its development and other general expenses, which could oblige it to reduce or defer investments or to sell certain assets. This lack of liquidity could also force Seplat to refinance its debt or seek additional funding, which could have a significant adverse effect on its business or financial situation or that of the Company.

Seplat's ability to meet its obligations under the amended Bridge Loan, or to refinance or reimburse this loan according to the terms and conditions thereof, will depend on its future operating performance and on many other factors, in particular the general economic and financial context, which are factors beyond Seplat's control. The Company cannot guarantee that Seplat will be able to meet these commitments under the amended Bridge Loan, given the uncertainties inherent to each of these external factors.

The amended Bridge Loan contains the usual undertakings and restrictions for this type of financing, which limit the operational freedom of Seplat. Accordingly, Seplat's undertakings include but are not limited to the following:

- to maintain a debt to equity ratio of 3:1 or less;
- to refrain from granting any securities or guarantees over certain assets, subject to certain limited exceptions;
- to refrain from undertaking any restructuring operations, subject to certain limited exceptions;
- to refrain from contracting any additional financial debts, subject to certain limited exceptions;
- to refrain from acquiring or selling assets, subject to certain limited exceptions; and

- to refrain from modifying its corporate object.

To the best of the Company's knowledge, Seplat met all of these obligations at 31 December 2010 and at 30 June 2011. Should Seplat fail to comply with its undertakings, the entirety of the Bridge Loan debt could become payable immediately.

Seplat is subject to various functional obligations for its debt, which are more fully described in section 6.3.5.4 of this prospectus (for example, opening and operation of dedicated bank accounts, limits on certain draw downs, establishing hedges, granting guarantees). The failure to observe these obligations could trigger the early maturity of any amount due or have an impact on the Company's and Seplat's business and their financial situation.

Seplat's ability to meet these obligations, including the ratios stated in the amended Bridge Loan, could be affected by events beyond its control. Consequently, the Company cannot guarantee that Seplat will be able to comply with its undertakings and/or abide by the above-mentioned ratios.

In the event that the debt becomes payable immediately, Seplat's assets may not be sufficient to reimburse the amount due in its entirety and it may be unable to obtain financing under similar economic conditions or even to find alternative financing at all that would allow it to handle such early maturity.

These restrictions and obligations provided for in the financing agreements (particularly the Bridge Loan) could impact upon Seplat's ability to adapt to competitive pressure, to market slowdowns or, more generally, to the prevailing economic conditions.

Lastly, the interpretation of certain rights and obligations of parties to financing agreements could lead to disputes over the content or scope of such agreements, which could have an adverse effect on the Company's and Seplat's business, prospects, financial situation and revenues.

## **4.9 Insurance**

### **4.9.1 Company insurance**

No later than the date of the Distribution, the Company will have the benefit of insurance policies similar to those implemented by the Maurel & Prom Group concerning the following categories of risks:

- civil liability of the management team;
- fires, storms, natural disasters and water damage;
- theft, vandalism and glass damage;
- civil liability for offices, not including professional civil liability, and basic legal protection.

The Company is currently taking out these insurance policies to ensure that they are effective on the Completion Date of the Distribution. In the meantime, the Company benefits from the Maurel & Prom Group's insurance coverage for these risks.

In addition, in so far as the Company does not directly carry out any exploration/production activities at the date of this prospectus, no insurance policies for the coverage of the risks associated with these activities will be taken out until the Completion Date of the Distribution.

### **4.9.2 Seplat**

In addition to standard risk coverage insurance, Seplat has taken out insurance policies that are specific to its business and to the type and location of its assets.

Insurance policies relating to oil operations cover:

- risks of possible damage to movable and immovable property with the exception of drilling rigs, reimbursed up to the declared value thereof to a limit of USD 5 million; risks of additional exploitation expenses to a limit of USD 25 million; and risks of pollution to a limit of USD 2 million; and
- risks of general and civil liability to a limit of USD 50 million per claim.

The total annual amount of insurance premiums borne by Seplat was approximately USD 617,000, for the period from 1 August 2010 to 1 August 2011.

The Company believes that the cover obtained under the insurance policies taken out by the Company and by Seplat is reasonably suited to the risks encountered in the context of the continuing operations of the Company and of Seplat. The discontinuity of hydrocarbon production operations in a field for any reason whatsoever is not covered by insurance for loss of production as at the date of this prospectus. However Seplat is currently negotiating the conclusion of a USD 100 million insurance policy for production stoppages, including a franchise of 21 days of production.

## **5. INFORMATION ABOUT THE COMPANY AND SEPLAT**

### **5.1 History and development of the Company and Seplat**

#### **5.1.1 Maurel & Prom Nigeria**

##### *5.1.1.1 Corporate name*

The Company's corporate name is Maurel & Prom Nigeria.

##### *5.1.1.2 Commercial and Companies Register*

The Company is registered with the Commercial and Companies Register of Paris under number 517 518 247.

##### *5.1.1.3 Date of incorporation and term of the Company*

The Company was registered on 13 October 2009 as a French simplified limited liability (*société par actions simplifiée*), and was converted into a French limited liability company (*société anonyme*) on 15 November 2010. In the absence of early dissolution or extension, the Company will cease trading on 12 October 2108.

##### *5.1.1.4 Registered office, legal form and applicable legislation*

The Company's registered office is located at 12 rue Volney, 75002 Paris.

The sector code ICB<sup>2</sup> of Maurel & Prom Nigeria is “0533 – Exploration & Production”. This category includes companies engaged in the exploration for and drilling, production, refining and supply of oil and gas products.

##### *5.1.1.5 History of the Company*

The Company was created by Maurel & Prom, a group specialising in hydrocarbon exploration and production, with the aim of acquiring, in a joint venture with Nigerian partners, interests in Nigerian Oil Mining Licenses (“OMLS”) 4, 38 and 41 (see section 6.3.5.1 of this prospectus) within Seplat. The fact that the Company belonged to the Maurel & Prom Group enabled it to benefit from the knowledge, experience and expertise developed by Maurel & Prom in the context of its oil business operations on several continents.

As at the date of this prospectus, the Company holds a 45% equity interest in Seplat, a stakeholding acquired to Maurel & Prom on 29 January 2010. The Company further adhered to Seplat Shareholders’ Agreement on 3 June 2010 (see section 6.3.5.2 of this prospectus).

By virtue of this 45% interest in Seplat, the Company indirectly benefits from rights in three onshore OMLs (see section 6.3.2 of this prospectus) which offer a balanced combination of production fields, fields for development, exploration opportunities. Through this interest, it also enjoys strong local involvement.

#### **5.1.2 Seplat**

##### *5.1.2.1 Corporate name*

The corporate name of this company is Seplat Petroleum Development Company Limited.

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<sup>2</sup> The Industry Classification Benchmark or ICB system, launched in January 2005 by FTSE Group and Dow Jones Indexes, allows investors and analysts to identify securities using an ICB classification that breaks down into ten industries, 18 super-sectors, 39 sectors and 104 sub-sectors. The ICB code allows for analyses and sector comparisons from one country to another.

### 5.1.2.2 Commercial and Companies Register

Seplat is registered with the Corporate Affairs Commission of Nigeria under number RC 824838.

### 5.1.2.3 Date of incorporation and term of Seplat

Seplat was registered on 17 June 2009 for an unlimited term.

### 5.1.2.4 Registered office, legal form and applicable legislation

Seplat is a company limited by shares under Nigerian law whose registered office is located at 25a Lugard Avenue, Ikoyi, Lagos, Nigeria.

### 5.1.2.5 History of Seplat

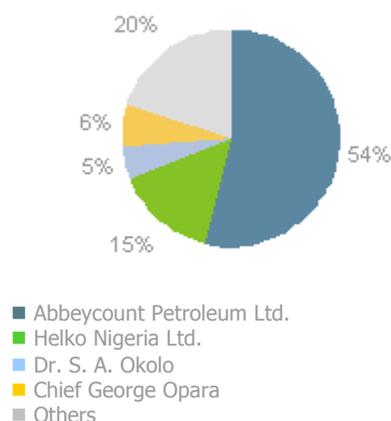
Seplat was originally formed by the Nigerian companies Shebah Petroleum Development Company Limited and Platform Petroleum Joint Ventures Limited which were further substituted by Shebah and Platform.

#### (a) Description of Shebah

Shebah, which holds 33% of Seplat's share capital, is a company registered in the British Virgin Islands, whose registered office is located at Nerin Chambers, Quastisky, Building 12 floor, Road Town, Tortola, British Virgin Islands. Shebah's share capital is wholly held by Shebah Petroleum Development Company Limited, a company specialised in the hydrocarbons business and subsidiary of Shebah Exploration and Production Company Limited ("**Sepcol**"), whose registered office is located in Lagos, Nigeria. Sepcol holds 40% of the rights in the Nigerian OML 18 (Ukpokiti offshore field), acquired in 2004 from ConocoPhillips, and has the status of operator of this OML. Mr Ambrosie Bryant Chukwueloka Orjiako is notably Chairman of Sepcol, Chairman of Seplat (see section 14.1.2.1 of this prospectus) and also a director of Maurel & Prom and of the Company (see section 14.1.1.1 of this prospectus).

The directors representing Shebah on Seplat's Board of Directors are listed in section 14.1.2.1 of this prospectus.

The diagram below shows the shareholding base of Sepcol as at the date of this prospectus:

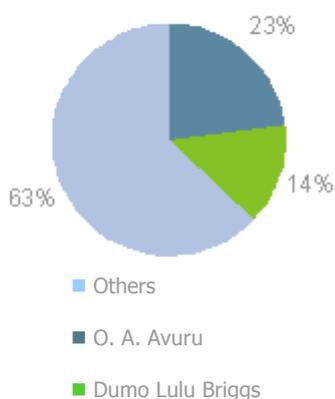


(b) Presentation of Platform

Platform, which holds 22% of Seplat's share capital, is a company registered in the British Virgin Islands, whose registered office is located at Nerin Chambers, Quastisky, Building 12 floor, Road Town, Tortola, British Virgin Islands. Platform's share capital is wholly held by Platform Petroleum Joints Venture Limited, company owned at 70% by Platform Petroleum Limited, whose registered office is located in Lagos, Nigeria. Platform Petroleum Limited is an independent Nigerian company which, through its activities of crude oil refining and natural gas liquefaction destined for the domestic Nigerian market, is active throughout the oil and gas development, production and sales cycle. It has the status of operator in the Asuokpu/Umutu marginal gas and oil fields located in the Niger Delta. Mr Augustine Ojunekwu Avuru is advisor of Platform Petroleum Limited, managing director of Seplat (see section 14.1.2.2 of this prospectus) and also a director of the Company (see section 14.1.1.1 of this prospectus).

Details on the director representing Platform on Seplat's Board of Directors can be found in section 14.1.2.1.

The diagram below shows the shareholder composition of Platform Petroleum Limited as at the date of this prospectus:



(c) Seplat's share capital

At the time of Seplat's creation, Shebah Petroleum Development Company Limited and Platform Petroleum Joint Ventures Limited each held 500,000 shares of Seplat with a nominal value of one Nigerian naira.

On 2 December 2009, the date when Maurel & Prom acquired its stake in Seplat, the latter increased its capital by a total amount of USD 88,900,000 by issuing 99,000,000 shares, the subscription of which was distributed as follows:

- 45,000,000 new shares were subscribed by Maurel & Prom for a total amount of USD 40 million. The nominal amount of the shares subscribed (NGN 45,000,000, or around EUR 200,000) was paid by Maurel & Prom at the time of the new share issue and the balance of the capital increase was paid by the Company following the transfer of the Seplat shares to it by Maurel & Prom on 29 January 2010;

- 32,500,000 new shares were subscribed by Shebah by means of a contribution in services valued at USD 29,340,000; and
- 21,500,000 new shares were subscribed by Platform by means of a contribution in services valued at USD 19,560,000.

As at the date of this prospectus, Seplat's share capital and voting rights are allocated as follows:

Shareholders of Seplat	Number of shares/voting rights held	Percentage of capital and voting rights
Maurel & Prom Nigeria	45,000,000	45%
Shebah	33,000,000	33%
Platform	22,000,000	22%
<b>Total</b>	100,000,000	100%

Relations between Seplat's shareholders are governed by a shareholders' agreement described in section 6.3.5.2 of this prospectus.

Seplat is managed by a board of directors and a managing director, which is the equivalent of the Chief Executive Officer of a limited liability company (*société anonyme*) under French law. Information on the functioning and composition of Seplat's management bodies appears in sections 6.3.5.2 and 14.1.2 of this prospectus.

Following the acquisition of an equity interest in Seplat by Maurel & Prom, later replaced on 29 January 2010 by the Company, Seplat acquired 45% of the rights in OMLs 4, 38 and 41 on 30 July 2010. The terms of Seplat's investment in said OMLs are described in section 5.2.1 of this prospectus.

### 5.1.3 General description of the Distribution

As the Company's value was not fully reflected in the Maurel & Prom market price, in an ordinary general meeting to be held on 12 December 2011, Maurel & Prom decided to offer its shareholders, subject to fulfilment of the conditions precedent described in section 26.1.6 of this prospectus, a distribution of Company shares, and a request to have those distributed shares admitted to trading on the regulated market of NYSE Euronext in Paris.

Subject to fulfilment of the conditions precedent referred to in section 26.1.6 of this prospectus, Maurel & Prom will distribute to its shareholders, pro rata with their shares in the capital of Maurel & Prom, one share of the Company for each share of Maurel & Prom (the "**Distribution**"). The Company's shares are also intended to be admitted to trading on the regulated market of NYSE Euronext in Paris at the time of the Distribution and under the conditions described in section 26.1 of this prospectus.

The particular conditions of the Distribution, the admission of the Company shares to trading on the regulated market of NYSE Euronext in Paris and the proposed timetable for the transaction can be found in section 26 of this prospectus.

## **5.2 Investments**

### **5.2.1 Principal investments made by the Company and Seplat since their incorporation**

In December 2009, Maurel & Prom (since replaced by the Company) took a 45% equity interest in Seplat, a company organised under Nigerian law, which in turn acquired 45% of the mining rights under Oil Mining Licenses (OMLs) 4, 38 and 41 on 30 July 2010. The remaining 55% interest is owned by the Nigerian Petroleum Development Company (which replaced its holding company the Nigerian National Petroleum Corporation on 3 September 2010). The conditions for the financing and refinancing of this investment are described in sections 6.3.5.4(a), 9.4 and 20.1 of this prospectus respectively.

Seplat's acquisition of 45% of the rights under OMLs 4, 38 and 41 was concluded for a total maximum price of USD 373 million, including the payment of an initial sum of USD 340 million and, subject to certain conditions, the payment of a price adjustment of USD 33 million (see section 6.3.5.1 of this prospectus).

Furthermore, the installation of a lease automatic custody transfer unit (LACT) to validate production data for Shell Petroleum Development Company of Nigeria Limited (Shell Group) and the Nigerian authorities, representing an investment of about USD 6 million, 45% of which was defrayed by Seplat, was put in place at the beginning of September 2011.

### **5.2.2 Principal investments made by the Company and Seplat in progress**

The investments budgeted for 2011 initially amounted to USD 155 million (amount mentioned in the official budget approved by the authorities at the end of 2010) for the members of the joint operating agreement. In September 2011, the investment programme was revised to take into account (i) the delay in its implementation and (ii) the redefinition of certain objectives.

The revised amount of investments in progress for 2011 amounts to approximately USD 60 million relating to OMLs 4, 38 and 41 for the members of the joint operating agreement, i.e., a share of EUR 9 million for the Company (on the basis of a EUR/USD exchange rate of 1.40). These works relate to (i) the return to production of two wells (for USD 20 million), (ii) the drilling of a production well (for USD 20 million), (iii) the start of the works relating to the water treatment facility (for USD 15 million) and (iv) various works relating to the pipelines.

### **5.2.3 Principal investments planned or covered by firm commitments made by management bodies of the Company and/or Seplat**

The investments planned for 2012 and 2013 were also revised in September 2011. Such revision did not have any significant impact on the amount of investment for the members of the joint operating agreement which amounts to approximately USD 300 million per year.

In 2012, these investments of approximately USD 300 million relating to OMLs 4, 38 and 41 for the members of the joint operating agreement, i.e., a share of EUR 43 million for the Company (on the basis of a EUR/USD exchange rate of 1.40), will correspond to a significant drilling program primarily for drilling production wells (for a total of approximately EUR 220 million) in order to ensure the increase of the production for all fields and which continue in 2013 and the setting up of an alternative draining system. During 2013, the creation of a unit of oil/water separation and of certain connecting facilities are notably planned.

### **5.2.4 Financing of the investments**

Regarding the principles agreed between the Company and its partners in the shareholders agreement relating to Seplat (see section 6.3.5.2 of this prospectus for a summary of the main provisions of this shareholders agreement) concerning the financing of Seplat's activities and

investments and of its development, the parties to this shareholders agreement agreed that, to the extent possible, such financing will have to come first from available cash flows generated by Seplat's business and that the additional funds which would, as the case may be, be necessary, will have to come first from third parties, notably by entering into bank loans such as the Bridge Loan, as amended, described in section 6.3.5.4(a) of this prospectus. Finally, if the board of directors so decides (it being specified that the Company has a veto right on the major decisions taken by the Company and notably for any investment above USD 5 million) or if Seplat's annual business plan has planned investments which justify so (annual business plan which must receive unanimous consent from the Seplat's shareholders, which means that the approval of the Company is required), it will be possible to solicit Seplat's shareholders to contribute to the financing of Seplat's activities or to its development. In this respect, the shareholders agreement states, regarding the investments provided for in Seplat's annual business plan, that if one of the two partners of the Company in Seplat (or both partners) do not hold the required funds for their respective contribution, their contribution shares will have to be advanced by the Company under the conditions provided for in the shareholders agreement and described in section 6.3.5.2 of this prospectus.

The investments referred to in sections 5.2.2 and 5.2.3 above are currently financed by available cash flows generated by Seplat's business.

## 6. OVERVIEW OF ACTIVITIES

The technical terms used in the section below are defined in a glossary at the end of this prospectus, in Appendix B.

### 6.1 General description

#### 6.1.1 Description of the activities of the Company and Seplat

As at the date of this prospectus, the Company, through Seplat, is active in the upstream sector of the oil and gas industry, and, more precisely, in the domain of onshore hydrocarbon exploration and production. The exploration/production activities of Seplat and the Company take place exclusively in Nigeria as of the date of this prospectus. The production of Seplat, once extracted, is routed to the oil terminal and, after processing and storage, is transferred to the trading company, which acquires 100% of this production and carries out the sale of it.

##### 6.1.1.1 *Exploration*

Exploration covers all operations which enable the discovery of hydrocarbon deposits. In particular, such operations include the performance of:

- topographical studies, particularly with the aid of aerial photography and on-site surveys;
- geological studies (analysis of deposit formations and other rock characteristics as "reservoirs");
- seismic studies (2D and 3D) and their geophysical interpretation, producing structural maps of the land prospected to obtain precise information on the depth and layout of oil-bearing formations;
- test wells (which constitute the principal cost of exploration activities).

These exploration activities enable Seplat to assess the hydrocarbon reserves and resources of the prospected fields in order to consider whether or not to put them into production.

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.<sup>3</sup>

There are three reserve categories:

- **Proved reserves (P1)** 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 and government regulations.
- **Probable reserves (P2)** are those additional reserves which analysis of geoscience and engineering data indicate that they are less likely to be recovered than proved reserves (P1) but more certain to be recovered than possible reserves (P3).
- **Possible reserves (P3)** are those additional reserves which analysis of geoscience and engineering data indicate that they are less likely to be recoverable than probable reserves.

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<sup>3</sup> The definitions of the reserves and various categories of reserves used in this section are excerpted from the definitions appearing in the *Definitions and Guidelines* of March 2007 from the *Society of Petroleum Engineers, World Petroleum Council, American Association of Petroleum Geologists and Society of Petroleum Engineers, Petroleum Resources Management System*, to which Gaffney, Cline & Associates, referred to when estimated the level of the reserves of OML 4, 38 and 41, in its report dated 1 November 2011.

In addition, 2P reserves mean the cumulative reserves P1 and P2 ( $2P = P1 + P2$ ) and 3P reserves mean the cumulative reserves P1, P2 and P3 ( $3P = P1 + P2 + P3$ ).

Contingent resources<sup>4</sup> represent the quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, 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 no currently 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 their economic status.

There are several types of contingent resources:

- **Low estimate (1C)** considered to be a conservative estimate of the quantity that will actually be recovered from the accumulation by a project;
- **Best estimate (2C)** considered to be the best estimate of the quantity that will actually be recovered from the accumulation by a project;
- **High estimate (3C)** considered to be an optimistic estimate of the quantity that will actually be recovered from the accumulation by a project.

Once information is obtained on the reserves and resources of explored fields, a development plan for the deposit can be drafted to include, in particular, the number of wells to be drilled, the type of recovery envisioned, the fluid flows and the cost of ancillary facilities – all leading to the fields being put into production.

#### 6.1.1.2 Production

Production mainly involves extracting, processing and routing hydrocarbons to a processing centre and storage centre prior to the commercial phase (see following section).

Concerning extraction, it takes place in accordance with the development plan defined for each deposit after the conduct of exploration activities. This plan may be updated during the life of the field, depending on its actual performance.

Various extraction procedures may be implemented, depending on the characteristics of the deposit, the operating phase of the well and the hydrocarbons involved.

Oil can for instance rise spontaneously at the surface at the start of extraction due to natural deposit pressure. Other supplementary techniques like pumping or gas lift are further used when this pressure becomes insufficient. Oil that reaches the surface is also associated to water and gas. The associated gas, when in small quantity, can be burned off onsite ("flared"), which domestic regulations prohibit and penalise more and more frequently due to the environmental impact of this practice (see sections 4.4.2 and 8.2 of this prospectus). Gas recovery and revaluation techniques must then be implemented.

Once extracted, the hydrocarbons must then be separated and routed via pipelines whether owned by the router or provided by third-party companies to the processing and storage facilities (see following section).

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<sup>4</sup> The definitions of the contingent resources and various categories of contingent resources used in this section are excerpted from the definitions appearing in the *Definitions and Guidelines* of March 2007 from the *Society of Petroleum Engineers, World Petroleum Council, American Association of Petroleum Geologists and Society of Pétroleur Engineers, Petroleum Resources Management System*, to which Gaffney, Cline & Associates, referred to when estimated the level of the reserves of OML 4, 38 and 41, in its report dated 1 November 2011.

The Company's production activities through Seplat, as at the date of this prospectus, have been located exclusively in Nigeria since the establishment of the Maurel & Prom Group in the region in December 2009, through its acquisition of a stake in Seplat and Seplat's acquisition of 45% of the interests in Oil Mining Licenses 4, 38 and 41 in July 2010. On the basis of 128 days of production for 100% of the rights in Oil Mining License 4, 38 and 41 in 2010, the average production based on well outflow amounted to 27.7 Mbb/d. During the first half of 2011, for 100% of the rights in Oil Mining Licenses 4, 38 and 41, the average production based on well outflow reached 36.7 Mbb/d.

The legal, regulatory and contractual framework applicable to the exploration and production activities in Nigeria is detailed in sections 4.3.2, 6.4 and 6.5 of this prospectus.

#### *6.1.1.3 Entitlement of production*

The oil extracted by Seplat is currently routed, via its own pipelines, to Rapele where it is injected into the pipeline of Shell Petroleum Development Company of Nigeria Limited ("**SPDC**") to be routed, and after treatment, stored, before being loaded into this company's storage facilities in Forcados (see section 6.3.5.5(a) of this prospectus for a detailed description of Seplat's crude handling agreement with SPDC). The oil routed by SPDC is then sold to Shell Western Supply and Trading Limited (see section 6.3.5.5(b) of this prospectus for a detailed description of the crude oil purchase agreement entered into with Seplat), which currently acquires 100% of Seplat's oil production (of which 45% is owned by Seplat and 55% by the Nigerian Petroleum Development Company).

At the time of Seplat's acquisition of 45% of the interests in OMLs 4, 38 and 41 at the end of July 2010, the first investment that Seplat decided to make was to install a metering facility unit to identify the oil volumes transferred to SPDC's evacuation facilities from Rapele as no such equipment was in place at the time. The installation of this unit was completed in two stages: a temporary installation was installed enabling Seplat to order and install the final metering unit.

During this transitional period, SDPC only partly acknowledged the oil volumes calculated by the temporary metering facility to allow for discrepancies based on the level of BSW (Basic Sediment Water) in the oil. In addition, SPDC proceeds, on the basis of its estimates of the production coming from its own fields and the volumes acknowledged to Seplat as operator, with a reallocation of the discrepancies between its own estimates and the volumes of crude oil received after treatment at the Forcados oil terminal. Thus, during the first half of 2011 and on the basis of 100% of the interests in OMLs 4, 38 and 41, the average daily entitlement acknowledged by SPDC amounted to 24.5Mbb/d, for an average daily production based on a well outflow of 36.7 Mbb/d (100% operated basis). Further to the acceptance of the fiscal metering unit on 1 November 2011, Seplat now has a reliable metering unit for the production shipped through SPDC. The re-allocation of the crude oil volumes routed during the transitional period is currently under discussion with SPDC. Similarly, discussions regarding a request to amend the allocation process for discrepancies at Forcados are ongoing and a request has been issued for an independent expert to carry out an audit. Lastly, the acceptance of the fiscal metering unit should eliminate virtually all of the discrepancies concerning BSW in the SPDC pipeline at Rapele. Due to the decrease in these discrepancies, Seplat should be able to obtain, with respect to its future production, the acknowledgment by SPDC of entitlements higher than those recognised as at the date of this prospectus, on a same well outflow production basis. This should have a positive impact on the future results of the Company.

## 6.1.2 Company strengths

### 6.1.2.1 *Potential development of Seplat's assets*

OMLs 4, 38 and 41 have significant potential growth in production, mainly due to improvements in well productivity, the workover of existing wells and the assessment of discoveries already made.

With regard to the "bonny light"<sup>5</sup> oil quality and condensate<sup>6</sup> production of OMLs 4, 38 and 41, for which an average entitlement of 17.6 Mbbl/d was acknowledged over 128 days in 2010 and 24.5 Mbbl/d in the first half of 2011 (on a 100% basis), the Company and its Partners have a production target based on a well outflow of 40 Mbbl/d (on a 100% basis) for the end of 2011.

The Company has significant proved reserves, proved plus probable reserves and proved plus probable plus possible reserves of oil and condensate respectively evaluated as at 30 June 2011, before royalties, at 11.58 MMbbl (1P reserves), 30.92 MMbbl (2P reserves) and 40.39 MMbbl (3P reserves). These figures for reserves are likely to increase as a result of the assessment works in progress, which might enable the transfer of contingent resources of oil and condensate into reserves. The estimated reserves and resources as at 30 June 2011 mentioned above were evaluated as at 30 June 2011 by Gaffney, Cline & Associates as presented in its Competent Person's Report about OMLs 4, 38 and 41 dated 1 November 2011 (see Appendix C of this prospectus).

In addition, the Company states that information concerning resources used for the acquisition of OMLs 4, 38, and 41 in 2010 referred to additional contingent oil and condensate resources 1C and 2C for OML 38 respectively amounting to 8.14 MMbbl and 15.47 MMbbl (Company share (20.25%), before royalties). These contingent resources come in addition to those mentioned in the previous paragraph. The latter resources have not been estimated by Gaffney, Cline & Associates in its Competent Person's Report on the OMLs 4, 38 and 41 dated 1 November 2011.

Discovered fields that require additional work could enable estimations of additional reserves. There is also potential exploration that has not been quantified to date that is the subject of a 3D seismic acquisition covering more than 90% of the territory of OMLs 4, 38 and 41. This 3D seismic is under review to define more precisely the prospects which will be drilled in the coming years.

### 6.1.2.2 *Technical and operational expertise of the Maurel & Prom Group and Seplat*

As a partial heir to Maurel & Prom, the Company will continue to benefit from the former's substantial expertise in the exploration and operation of hydrocarbon fields during a transitional period. In fact, in furtherance of the Company's independence and development, Maurel & Prom and the Company have entered into a transitional services agreement (see section 19.1.1 of this prospectus) for a period that could last up to 12 months as from the admission to trading of the Company's shares on the regulated market of NYSE Euronext in Paris, renewable once at the Company's request. Under the terms of this contract, Maurel & Prom undertakes to carry out the technical visits and tasks that the Company may need to conduct its business (for the impact on the agreement of a change in control of Maurel & Prom, see section 4.7.1 of this prospectus).

The Company can also count on the skills and expertise of its management bodies, partly coming from Maurel & Prom. In fact, the Company's management has knowledge, experience and expertise that is recognised throughout the oil industry. Knowledge of the petroleum sector on the part of the Company's management is a significant advantage with regard to the Company and Seplat's development prospects.

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<sup>5</sup> Crude oil of reference in Nigeria

<sup>6</sup> Fractions of natural gas in gaseous or solution phase contained in crude oil under the reservoir's initiation pressure and temperature conditions, and which are recovered in liquid state in separators, site facilities, or units.

The Company can also rely on the technical expertise of its partners within Seplat, the companies Shebah Petroleum Development Company Limited and Platform Joint Ventures Limited, all of which are Nigerian companies that have been involved in exploration and production in the country for several years, which are shareholders of Seplat through their wholly-owned subsidiaries Shebah and Platform and members of the groups Sepcol and Platform Petroleum Limited. This partnership enables the Company to benefit from the knowledge, know-how and analytical expertise of local partners who are recognised in their market. The quality of the partnership with Shebah and Platform has allowed Seplat to enjoy operator status for OMLs 4, 38, and 41. This status offers Seplat a significant degree of control over operation of the licenses and provides it, particularly within the context of the joint operating agreement described in section 6.3.5.3 of this prospectus, with the ability to propose license development plans and related budgets, and with general powers to administer and monitor the execution of plans and operations.

#### *6.1.2.3 Growth opportunities*

Opportunities exist to acquire rights in new licenses beyond those that Seplat already holds, particularly when they are in proximity to Seplat's existing licenses and infrastructure.

In this regard, on 22 March 2010 Seplat entered into a two-year agreement with Abbeycourt Petroleum Company Limited (**APCO**), a firm specialising in the oil and gas industry in Nigeria and West Africa and an indirect shareholder in Seplat via Shebah, for the purpose of identifying, structuring and negotiating potential investments in the rights to operate oil and gas licenses in Nigeria and in West Africa. To enable APCO to complete this assignment, Seplat has established a fund of USD 25 million managed by APCO. The purpose of this fund is to cover the latter's expenses incurred in identifying and studying investment prospects and to grant a right of first refusal to Seplat over the investment opportunities developed by APCO. Upon the expiry of the agreement or in the event that it is cancelled, APCO will refund to Seplat the difference between the expenses incurred by APCO and the USD 25 million paid as at the date of expiry or termination of the agreement. As at 30 June 2011, USD 6.25 million had been invested by APCO.

In addition, Seplat's management has started its reflections concerning the different possibilities to finance the acquisition of new licenses and more generally concerning its development. It considers for this purpose different possibilities including the admission of Seplat's securities on one or several stock markets relevant regarding its activities and the maintenance of its status of Nigerian company. The continuation of these reflections will however depend on the relevancy of such financing, especially recourse to the market, for Seplat given several parameters such as the evolution of the situation on financial markets.

#### *6.1.2.4 Seplat: a company with strong local ties*

Seplat is 45% held by the Company and 55% by the Nigerian companies Shebah Petroleum Development Company Ltd (33 %) and Platform Petroleum Joint Ventures Limited (22 %) through their wholly owned subsidiaries, Shebah and Platform (see section 5.1.2 of this prospectus). The presence of its Nigerian co-investors facilitates Seplat's acquisition of local support to develop the oil fields for which it holds operating licenses, to pursue the exploration of as-yet-undeveloped fields and to tender for new licenses. Thanks to its Partners and its status as a Nigerian company, Seplat is able to benefit from the Nigerian government policy and changes in regulations aimed at favouring Nigerian companies (see section 4.3.2.1 of this prospectus).

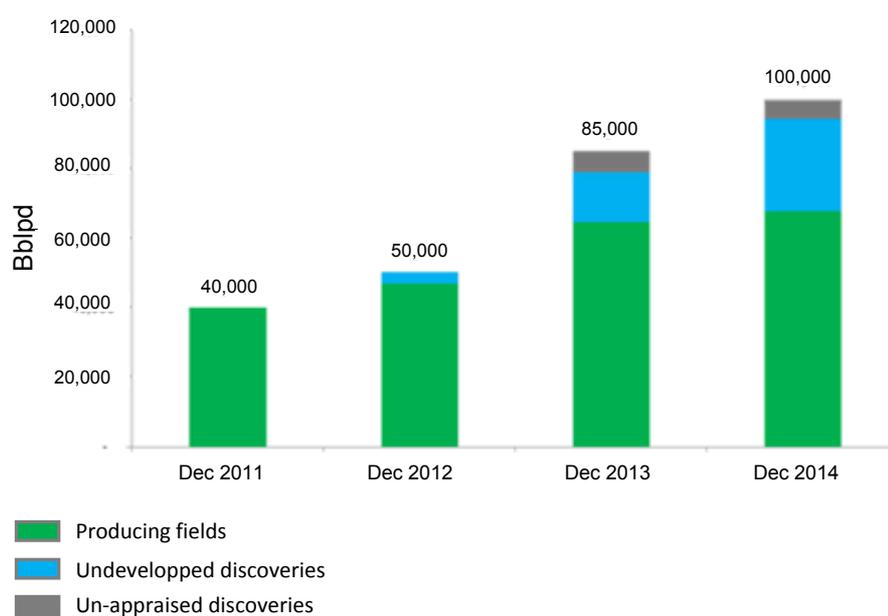
### 6.1.3 Company strategy

#### *6.1.3.1 Maximising production, reserves and cash flows from existing assets*

The primary strategic focus of the Company and its Partners involves maximising current oil and condensate production capacities in Nigeria, particularly in order to finance its exploration activities and growth operations. Regarding gas production, the quantity currently produced is just

used to satisfy the obligation to provide domestic gas on the local market (see section 6.3.5.6 of this prospectus). It is expected to invest around USD 15 million over the medium term to increase this capacity to supply gas on the domestic market. At last, a development significantly more important of Seplat's gas production capacity is considered in the long term when the economic conditions and opportunities justify it.

During the first half of 2011, for 100% of the rights in OMLs 4, 38 and 41, an average entitlement of 24.5 Mbbbl/d was acknowledged. The target is to reach a production level based on well outflow of 40 Mbbbl/d (on a 100% basis) between now and the end of 2011, 50 Mbbbl/d on a 100% basis between now and the end of 2012, 85 Mbbbl/d (on a 100% basis) from now to the end of 2013 and 100 Mbbbl/d (on a 100% basis) between now and the end of 2014. The diagram below presents these production goals based on well outflow, excluding gas production and the results of new exploration:



To that end, Seplat is seeking to develop its hydrocarbon transport infrastructures with the contemplated acquisition or lease of the FPSO Trinity Spirit, a floating oil production, storage and offloading unit (see section 19.2.2 of this prospectus) so as to be able to benefit from an alternative solution and/or complementary to the current draining and processing solutions transport unlimited volumes of the oil and condensate, the production of which has increased since the oil fields in Seplat's portfolio resumed operations. Other solutions for routing oil are under review, particularly the use of pipelines belonging to other companies operating in the sector and transportation by barge (see section 4.2.4 of this prospectus).

In order to increase Seplat's oil and condensate production capacity, the Company and its Partners are also seeking to maximise Seplat's reserves, particularly by doing the work necessary to convert contingent resources into reserves and to prepare development plans that will enable to start the production. To that end, the Company and its Partners contemplate to make the necessary investments through Seplat to facilitate hydrocarbon recovery in the most efficient, least burdensome manner possible by using synergies with existing facilities. Starting from 2012, the development target involves putting two new fields into production per year.

The Company and its Partners also intend to develop the potential of Seplat's assets by:

- pursuing the exploration of promising hydrocarbon fields in its portfolio so as to discover new resources and reserves and get them into production; and
- equipping existing production facilities with technical equipment that allows for direct on-site water treatment so as to optimise hydrocarbon routing conditions.

#### 6.1.3.2 Growth in the reserve and production base through partnerships and acquisitions

Bolstered by the experience of its management team and local partners, as well as the positive reputation enjoyed by Seplat since it began operations, the Company envisions acquiring new production sources in Nigeria, and studying opportunities that may arise, principally in West Africa, in order to diversify its production areas. It primarily seeks assets that complement its own, particularly when said assets are in proximity to Seplat's existing production and transport structures.

For the purposes of such development, the Company also seeks to develop new partnerships with local players, especially through farm in/farm out agreements by which partners participate in the financing of future investments.

In short, the Company is attentive to any growth opportunities that are consistent with its activities and strategy.

## 6.2 Description of the market and competitive position

### 6.2.1 World petroleum market

The figures presented in this section are drawn from the *BP Statistical Review of World Energy* of June 2011.

#### 6.2.1.1 Consumption

World oil consumption during 2010 averaged 87.4 MMbbl/d, i.e. an increase of 2.7 MMbbl/d (+3.1%) compared to 2009. In 2010, consumption in OECD countries increased by 0.5 MMbbl/d compared to 2009 to reach 46.4 MMbbl/d (+0.9%) and consumption in other countries grew by 2.2 MMbbl/d to reach 40.9 MMbbl/d (+5.5%).

At the end of 2010, oil consumption was geographically distributed as follows, in Mbbl/d:

<b>World oil consumption</b>	<b>2010</b>	<b>vs. 2009 (as a %)</b>
North America	23,418	+2.1
Central and South America	6,104	+5.0
Europe and Central Asia	19,510	+0.1
Middle East	7,821	+4.6
Africa	3,291	+3.0
Asia Pacific	27,237	+5.3
<b>Total</b>	<b>87,382</b>	<b>+3.1</b>

#### 6.2.1.2 Production

Oil production increased by 1.8 MMbbl/d in 2010 (+2.2%). The restrictions that OPEC imposed on its members at the end of 2008 were maintained in 2010, which nevertheless resulted in a production increase of 0.96 MMbbl/d over the year 2010 (+2.5%). In 2010, major production increases occurred in Nigeria (+340 Mbbl/d) and Qatar (+220 Mbbl/d). Excluding OPEC countries and the former USSR, production increased by 588 Mbbl/d (+1.9%).

In 2010, oil production was geographically distributed as follows, in Mbbbl/d:

<b>World oil production</b>	<b>2010</b>	<b>vs. 2009 (as a %)</b>
North America	13,808	+2.5
Central and South America	6,989	+3.5
Europe and Central Asia	17,661	- 0.4
Middle East	25,188	+1.7
Africa	10,098	+4.2
Asia Pacific	8,350	+4.9
<b>Total</b>	<b>82,095</b>	<b>+2.2</b>

### 6.2.1.3 Reserves

At the end of 2010, proved oil reserves were geographically distributed as follows, in Bbbl:

<b>Proved oil reserves</b>	<b>End of 2010</b>
North America	74.3
Central and South America	239.4
Europe and Central Asia	139.7
Middle East	752.5
Africa	132.1
Asia Pacific	45.2
<b>Total</b>	<b>1,383.2</b>

### 6.2.2 The oil market in Nigeria

According to the May 2011 Wood Mackenzie report, Nigeria is the top oil producer in Africa, with production levels of 2.4 MMbbl/d. Most of its production comes from the onshore area of the Niger Delta (75,000 km<sup>2</sup> of marsh areas) and offshore areas that extend 150 km from the coast. Nearly all of the oil is high-quality sweet crude from the Agbada formation, which dates from the Miocene epoch. The reservoirs are generally small and comprised of hundreds of deposits. In addition to being rich in oil, the Niger Delta possesses large quantities of natural gas, and most of the oil fields produce associated gas.

The oil exploration/production industry is supervised by Nigeria's Department of Petroleum Resources. The country's economy is largely dependent on its oil industry: 20% of its gross domestic product, 95% of its exports and 65% of government revenues derive from oil.

Nigeria has been a member of OPEC since 1971 and is thus subject to an annual production quota. According to OPEC, the production quota allocated to Nigeria in 2010 was set at 1.7 MMbbl/d. Nigeria considered asking for an increase in its production quota at the 8 June 2011 OPEC meeting in Vienna, but ultimately abstained from the OPEC members' vote on the subject. As a result of that vote, OPEC members decided to maintain the current production quotas.

### 6.2.2.1 Oil production

Nigeria is the biggest oil producer in Africa. According to the *BP Statistical Review of World Energy* of June 2011, Africa's oil production for the year 2010 was geographically distributed as follows, in Mbbl/d:

<b>Production</b>	<b>Oil</b>
<b>Nigeria</b>	<b>2,402</b>
Angola	1,851
Algeria	1,809
Libya	1,659
Egypt	736
Other African countries	1,641
<b>Total Africa</b>	<b>10,098</b>

### 6.2.2.2 Oil reserves

Nigeria is number two in Africa for oil reserves. According to the *BP Statistical Review of World Energy* of June 2011, proved reserves in Africa for the year 2010 were geographically distributed as follows, in Bbbl:

<b>Proved reserves</b>	<b>Oil</b>
Libya	46.4
<b>Nigeria</b>	<b>37.2</b>
Angola	13.5
Algeria	12.2
Sudan	6.7
Other African countries	16.1
<b>Total Africa</b>	<b>132.1</b>

### 6.2.3 Competitive position

The oil market is a globalised market where most production is exported to consumer countries. With that in mind, an analysis of the Company's competitive position through Seplat on the Nigerian production market is not pertinent.

Furthermore, the modest size of Seplat's activities compared to the global oil market and the size of the majors in this domain make analysis of its position in relation to the global market equally irrelevant.

In fact, according to the *BP Statistical Review of World Energy* of June 2011, the 2010 world oil market represented 82 MMbbl/d in oil production. By comparison, with respect to the daily oil production of OMLs 4, 38 and 41 (on a 100% basis), an average entitlement of 17.6 Mbbl/d was acknowledged over 128 days in 2010 and 24.5 Mbbl/d in the first half of 2011. The Company's share in this average entitlement thus amounted to 3.57 Mbbl/d over 128 days in 2010 and 4.96 Mbbl/d in the first half of 2011.

Furthermore, according to the *BP Statistical Review of World Energy* of June 2011, worldwide proved oil reserves in 2010 stood at 1,383 Bbbl, while OMLs 4, 38 and 41's proved oil reserves (on a 100% basis) as assessed at 30 June 2011 by Gaffney, Cline & Associates in its Competent Person's Report for the OMLs 4, 38 and 41 dated 1 November 2011 stood at 57.15 MMbbl.

The oil market is dominated by such majors as Royal Dutch/Shell, ExxonMobil, BP, Chevron, ConocoPhillips, Eni and Total, as well as large companies in developing countries such as Lukoil, Indian Oil and Sinopec. A major like Total, for example, produces about 2.5 MMbbl/d.

About 150 oil companies have invested in Nigeria, particularly majors such as Royal Dutch/Shell, Chevron, ExxonMobil, Total and Eni, which have had a presence in the country since the 1960s. BP, which left Nigeria in 1970, is the only super-major without a presence there.

The Company, through Seplat, is thus primarily competing for exploration/production licenses in Nigeria with such junior and mid-sized players as Pan Ocean Oil Corp., Afren, Conoil, Oando, Seven Energy, Camac Int. or Sahara Energy.

### **6.3 Description of Seplat's exploration/production activities**

#### **6.3.1 Description of Seplat**

Seplat is an oil exploration and production company whose current activities are located in Nigeria (see section 5.1.2 of this prospectus).

By virtue of a 45% equity interest in Seplat, the Company benefits from access to onshore OMLs which offer a balanced combination of production fields, fields for development, exploration opportunities and strong local involvement. The Company is therefore favourably positioned to benefit from the opportunities offered by Nigeria. In this light, the Company will have the support of its management's recognised experience, as acquired within Maurel & Prom.

The remaining 55% of Seplat's equity is shared between the companies Shebah (33%) and Platform (22%) (see section 5.1.2 of this prospectus). As the majority of the capital of Seplat is indirectly controlled by Nigerian companies, Seplat could obtain long-term advantages from its status as an "indigenous company" and thus benefit from a more favourable tax treatment, provided that certain conditions, which are still being discussed before the Nigerian Parliament, are satisfied (see section 4.3.2.1 of this prospectus).

#### **6.3.2 Asset portfolio**

Seplat acquired 45% of the interests in Nigerian onshore OMLs 4, 38 and 41 from the companies Shell Petroleum Development Company of Nigeria Limited (Shell Group), Total (E&P) Nigeria and Nigerian Agip Oil Company Limited on 30 July 2010 (see section 6.3.5.1 of this prospectus); the rest of the capital is held by the Nigerian National Petroleum Corporation, replaced on 3 September 2010 by its subsidiary, the Nigerian Petroleum Development Company. Following the acquisition of these interests in OMLs 4, 38 and 41, one of the primary objectives of the Company and its partners has been to put the fields back into production so as to establish a source of continuous cash flow.

These OMLs can produce "bonny light" oil quality, gas and condensate. The Company has oil and gas reserves (see section 6.3.3 of this prospectus). In concert with its partners, the Company has decided to concentrate Seplat's efforts for the time being on oil production. Seplat has also produced gas to satisfy the legal obligation to supply gas on the Nigerian market (see section 6.3.5.6 of this prospectus). Seplat is considering to proceed to an investment of circa USD 15 million in 2012 or in 2013 to develop its current gas processing facilities aimed at satisfying its legal obligation and develop this activity. At last, Seplat is considering to significantly increase its gas production in the long term when economic conditions and opportunities justify it.

Maximising oil production is currently one of the main objectives of the Company and its partners (see section 6.1.3 of this prospectus).

Seplat has operator status for OMLs 4, 38 and 41, which contain four developed fields (Oben, Amukpe, Ovhor and Sapele), nine undeveloped fields and a 24" pipeline with 50 Mbbl/d capacity (Amukpe-Rapele section).

Seplat signed a handling contract with Shell Petroleum Development Company of Nigeria Limited (Shell Group) for routing oil to the Forcados terminal, as well as a memorandum of understanding with Shebah Exploration and Production Company Limited and Allenne British Virgin Islands Limited granting it an exclusive option on the possible lease or purchase of the Trinity Spirit FPSO, a floating unit for the production, storage and offloading of oil. Seplat plans to use infrastructure (pipeline, terminal) that would allow it to transport oil to the Trinity Spirit FPSO unit, which is located 10 hours by barge from the terminal. The leasing or acquisition of the Trinity Spirit FPSO unit would also provide Seplat with an alternative means of transporting its hydrocarbons to the Shell Petroleum Development Company of Nigeria Limited pipeline (see section 4.5.6 of this prospectus). Other solutions for routing the oil are under review, particularly the use of pipelines belonging to other companies operating in the sector and transportation by barge (see section 4.2.4 of this prospectus).

The crude oil produced by Seplat is sold to Shell Western Supply and Trading Limited under the terms of a sales contract entered into with the latter (see section 6.3.5.5(b) of this prospectus).

Production was progressively consolidated during the second half of 2010. Based on 128 production days in 2010, an average entitlement of 17.6 Mbbl/d was acknowledged on a 100% basis, for a Company share of 3.57 Mbbl/d. During the first half of 2011, an average entitlement of 24.5 Mbbl/d was acknowledged on a 100% basis, for a Company share of 4.96 Mbbl/d. The target production is based on a well outflow of 40 Mbbl/d on a 100% basis as of the end of 2011, i.e. a Company share of 8.1 Mbbl/d, 50 Mbbl/d on a 100% basis by the end of 2012, i.e., a Company share of 10.1 Mbbl/d, of 85 Mbbl/d on a 100% basis by end of 2013, i.e., a Company share of 17.2 Mbbl/d and of 100 Mbbl/d on a 100% basis by end of 2014, i.e., a Company share of 20.2 Mbbl/d.

### 6.3.3 Reserves and resources of OMLs 4, 38 and 41

The reserves of OMLs 4, 38 and 41 corresponding to 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 (see section 6.1.1.1 of this prospectus) were evaluated as at 30 June 2011 in the Competent Person's Report issued by Gaffney, Cline & Associates for OMLs 4, 38 and 41 on 1 November 2011.

The contingent resources of OMLs 4, 38 and 41 corresponding those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies (see section 6.1.1.1 of this prospectus), were estimated for fields in production as well as for contingent resources associated with undeveloped discoveries in Mosogar, Okporhuru, Ubaleme and Okoporo, as at 30 June 2011 by Gaffney, Cline & Associates in its Competent Person's Report on OMLs 4, 38 and 41 dated 1 November 2011.

In addition, the Company has stated that information concerning resources used for the acquisition of OMLs 4, 38, and 41 in 2010 refers to additional contingent oil and condensate resources 1C and 2C in OML 38 respectively amounting to 8.14 MMbbl and 15.47 MMbbl (in Company share, 20.25%). These contingent resources come in addition to those mentioned in the previous paragraph. The latter resources have not been estimated by Gaffney, Cline & Associates in its Competent Person's Report on the OMLs 4, 38 and 41 dated 1 November 2011.

The reserves and contingent resources mentioned below are presented as the Company's share and before the payment of royalties (20 % for oil and 7 % for gas) and subject to taxes applicable to the sector of oil exploration and production.

Unless otherwise indicated, the information presented in this section on OML 4, 38 and 41 reserves and resources, except for the additional contingent oil and condensate resources 1C and 2C in OML 38 coming from data on resources used for the acquisition of OMLs 4, 38, and 41, are excerpted from the Competent Person's Report on OMLs 4, 38, and 41 issued by Gaffney, Cline & Associates on OMLs 4, 38 and 41 dated 1 November 2011.

#### 6.3.3.1 Company share of 1P, 2P and 3P hydrocarbon reserves as of 30 June 2011

The table below presents the Company share (20.25%) of 1P, 2P and 3P reserves of hydrocarbon of OMLs 4, 38 and 41 as at 30 June 2011:

Licenses	Type of hydrocarbon					
	Oil + condensate (MMbbl)			Gas (Bscf)		
	1P	2P	3P	1P	2P	3P
OML 4, 38 et 41	11.58	30.92	40.39	30.88	182.61	198.71

#### 6.3.3.2 Company share of contingent hydrocarbon resources 1C, 2C, and 3C as of 30 June 2011

The table below presents the Company share (20.25%) of 1C, 2C and 3C contingent hydrocarbon resources of OMLs 4, 38 and 41 as at 30 June 2011:

License	Type of hydrocarbon					
	Oil + condensate (MMbbl)			Gas (Bscf)		
	1C	2C	3C	1C	2C	3C
OML 4, 38 et 41	27.08	56.65	91.21	120.46	166.41	181.36

Hydrocarbon resources correspond to contingent resources of fields that have been discovered but not developed. A development plan for these contingent resources is in the process of being prepared in 2011, the operator Seplat will, as a priority, direct its efforts towards optimising the production of reserves by carrying out the necessary work to convert contingent resources into reserves (see section 6.3.4.4 of this prospectus).

In addition, the Company has stated that information concerning resources used for the acquisition of OMLs 4, 38, and 41 in 2010 refers to additional contingent oil and condensate resources 1C and 2C in OML 38 respectively amounting to 8.14 MMbbl and 15.47 MMbbl. These contingent resources come in addition to those mentioned in the previous paragraph. The latter resources have not been estimated by Gaffney, Cline & Associates in its Competent Person's Report on the OMLs 4, 38 and 41 dated 1 November 2011.

In addition to these reserves and resources, there are discovered fields that need additional capital outlays to enable certification of additional reserves, and there is also significant exploration potential, not quantified to date, covered by 2D and 3D seismic data.

#### 6.3.4 Description of OMLs 4, 38 and 41

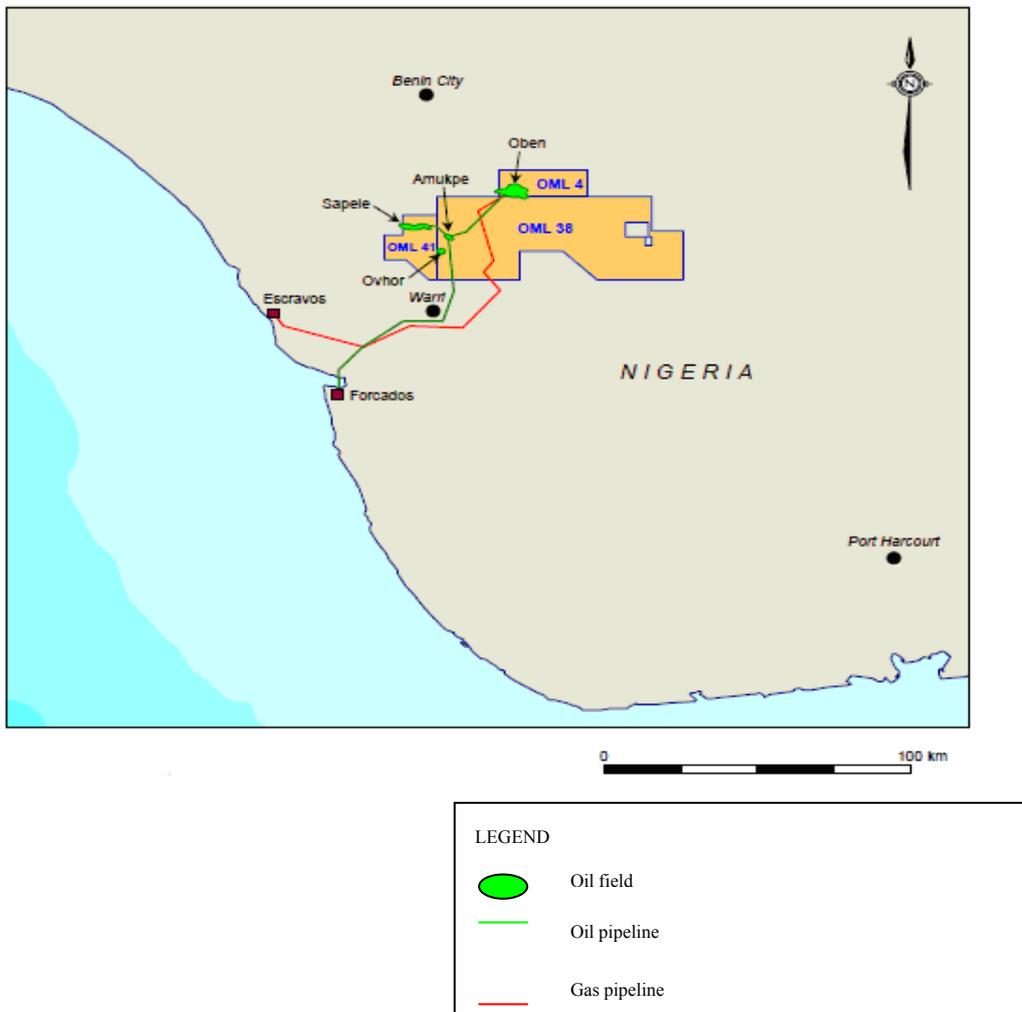
The Company holds rights in OMLs 4, 38 and 41 through Seplat (see sections 5.1.1.5 and 6.3.5.1 of this prospectus). The location of the OMLs, their renewal and the Company share of the resources and reserves are the subject of a detailed presentation in this section.

The information presented in this section, unless indicated otherwise, derives from the Gaffney, Cline & Associates Competent Person's Report covering OMLs 4, 38, and 41 dated 1 November 2011 and the production data reproduced below are based on well outflow.

#### 6.3.4.1 General information

##### (a) Location of the OMLs

The maps below show the geographical location of OMLs 4, 38 and 41, the main oil and gas fields located on the OMLs and the main hydrocarbon transportation infrastructures present on the sites and used by Seplat:





(b) Characteristics of OMLs 4, 38 and 41

As of the date of this prospectus, Seplat holds the following rights in OMLs 4, 38 and 41:

License	Surface area (km <sup>2</sup> )	Year of allocation	Year of next renewal	Seplat's interest*	Partners/Interest
OML 4	267	1960	2019	45%	NPDC – 55%
OML 38	2,094	1962	2019	45%	NPDC – 55%
OML 41	291	1962	2019	45%	NPDC – 55%

\* The Company holds 45% of the share capital and voting rights of Seplat, which gives it a 20.25% indirect interest in OMLs 4, 38 and 41.

(c) Transport

As at the date of this prospectus, the oil produced is routed to Forcados via the following oil pipeline network:

Pipeline	Operator	Diameter (inches)	Nominal capacity (Mbb/d) **
Oben - Amukpe	Seplat	8	10
Sapele - Amukpe	Seplat	10	12
Amukpe - Rapele	Seplat	24	50
Rapele - Forcados	SPDC*	28	N/A

\* SPDC refers to Shell Petroleum Development Company of Nigeria Limited.

\*\* The nominal capacity of the pipelines corresponds to the quantity of barrels transported each day by these facilities

(d) License renewals

OMLs 4, 38 and 41 were all renewed for the first time on 1 July 1989 for a term of 30 years (that is, until 30 June 2019).

Paragraph 14m of the First Schedule to the Petroleum Act provides that, if the holder so requests, OMLs are renewed by the Nigerian government subject to the condition that their holder pays all rents and royalties due and adheres to all obligations pertaining to such OMLs. The Petroleum Act does not indicate the number of renewals that can be allowed to the OMLs granted. As a result, OMLs generally contain stipulations expressly providing for a single renewal of the authorisation. Beyond the first renewal of the OMLs which is often automatic under the terms of OMLs, and which was granted in 1989 with respect to OMLs 4, 38 and 41, negotiations may take place with the Nigeria's Department of Petroleum Resources in order to obtain a second renewal. In practice, the OML holder does not have any right to renew an OML – renewal is granted at the discretion of the Minister. Renewals can give rise to a change in the OML terms and conditions and to renewal fees to be negotiated with the Minister.

A request for renewal must be filed with Nigeria's Department of Petroleum Resources at least 12 months prior to expiry of an OML. A file must be filed with the request, describing the project, its

history, activities undertaken, rents and royalties, reserves, production and the attention paid to the environment and local population.

More detailed information on the conditions for renewing OMLs can be found in section 4.3.2.2 of this prospectus.

#### 6.3.4.2 Detailed description of OML 4

OML 4, located in the State of Edo in south-western Nigeria, covers an area of 267 km<sup>2</sup>. The Oben field is the only operating field under OML 4.

##### (a) The Oben operating field

The Oben field was discovered in 1972 and put into production in April 1974. 3D seismic data were completed over the field in 1998. Oil that has been produced on the Oben field before the acquisition has been produced from about 17 reservoirs. Currently, the Oben field's oil production comes from 11 reservoirs out of the 17 mentioned above.

In June 2011, the Oben field was producing about 4.8 Mbbbl/d, compared with about a 2.3 Mbbbl/d at the end of 2010. Total production for the first half-year 2011 is reported as 680 Mbbbl.

The Oben field has all the infrastructures necessary for exploiting its resources, including a flowstation with a capacity of 60 Mbbbl/d and a gas production plant with capacity of 90 Mcf/d. All infrastructures are close to each other.

The oil is transported to the Forcados terminal by the Oben-Amukpe, Amukpe-Rapele and Rapele-Forcados pipelines.

##### (b) Estimate of contingent resources and reserves

The following table gives a breakdown of the Company share (20.25%) of the 1P, 2P and 3P reserves at the Oben operating field as estimated by Gaffney, Cline & Associates as at 30 June 2011 in its Competent Person's Report covering OMLs 4, 38 and 41 dated 1 November 2011:

Field	Type of hydrocarbon					
	Oil + condensate (MMbbl)			Gas (Bscf)		
	1P	2P	3P	1P	2P	3P
Oben	3.01	14.36	17.42	24.05	164.90	175.74

The following table gives a breakdown of the Company share (20.25%) of contingent resources 1C, 2C and 3C at the Oben operating field as estimated by Gaffney, Cline & Associates as at 30 June 2011 in its Competent Person's Report covering OMLs 4, 38 and 41 dated 1 November 2011:

Field	Type of hydrocarbon					
	Oil + condensate (MMbbl)			Gas (Bscf*)		
	1C	2C	3C	1C	2C	3C
Oben	7.20	10.56	13.26	91.88	130.58	144.81

#### 6.3.4.3 Detailed description of OML 38

OML 38, located in the Delta State in south-western Nigeria, covers an area of 2,094 km<sup>2</sup>. It contains in particular the operating fields of Amukpe and Ovhor, and the discoveries of Mosogar and Okporhuru.

##### (a) Amukpe and Ovhor operating fields

The Amukpe and Ovhor fields are the only producing fields under OML 38.

The Ovhor field, which straddles OMLs 38 and 41, was discovered in 1991 and put into production in 1993. In June 2011, the Ovhor field was producing about 27.5 Mbb/d, compared with about 21 Mbb/d at the end of 2010. Total production for the first half-year 2011 is reported as 5,084 Mbb/d.

The current infrastructure is in the western part of the license including facilities in particular a flowstation located at Amukpe with a capacity of 45 Mbb/d. These facilities treat production from both the Amukpe and Ovhor fields. Oil coming from the Amukpe field flow station is transported to the Forcados terminal via the Amukpe-Rapele and Rapele-Forcados pipelines after being mixed in Amukpe with production from OML 4. Oil from third parties is also added at Amukpe. Once the liquids (oil and water) are evacuated to Forcados, the water is separated from the oil and the dry crude is exported.

##### (b) Mosogar, and Okporhuru discoveries

Mosogar is located about 50 km north of Warri and east and northeast of Sapele and Amukpe fields respectively. The field was discovered in 1974 at the time of the drilling of the MOSO-1 well carried out on the basis of 2D seismic analysis. The well was abandoned after a problem and was redrilled as MOSO-2. The Mosogar discovery contains hydrocarbons logged between 1,140 and 3,400 metres below ground (true vertical depth subsea – TVDss), with seven zones reported as oil bearing and one as gas bearing. The well was not tested and hydrocarbons are attributed on the basis of seismic data. Seplat is planning to develop the Mosogar discovery during 2013.

Okporhuru was discovered in 1982 when drilling the OKRU-1 well. The drilling of this well revealed the presence of light oil between 2,590 and 3,200 metres below ground (true vertical depth subsea – TVDss). Appraisal well OKRU-2 was drilled in 1984 eastward to confirm this discovery but found water and was plugged and abandoned. A second appraisal well (OKRU-3) was drilled in-between OKRU-1 and OKRU-2 thus confirming the presence of fluids. 3D seismic data was acquired in 1996 for this discovery. Seplat is planning to drill a new appraisal well in 2012 and start production in 2013.

##### (c) Other Discoveries

There are also other existing discoveries located on the OML 38 which have not been evaluated by Gaffney, Cline & Associates in its Competent Person's Report covering OMLs 4, 38 and 41 dated 1 November 2011.

##### (d) Estimates of contingent resources and reserves

The following table gives a breakdown of the Company share (20.25%) of the reserves 1P, 2P and 3P of the Amukpe and Ovhor operating fields as estimated as at 30 June 2011 by Gaffney, Cline & Associates in its Competent Person's Report covering OMLs 4, 38 and 41 dated 1 November 2011:

Fields	Type of hydrocarbon					
	Oil + condensate (MMbbl)			Gas (Bscf)		
	1P	2P	3P	1P	2P	3P
Amukpe	0.08	0.08	0.13	0.11	0.11	0.17
Ovhor*	3.31	6.05	7.98	0.28	0.64	0.80
<b>Total</b>	<b>3.39</b>	<b>6.13</b>	<b>8.11</b>	<b>0.39</b>	<b>0.75</b>	<b>0.97</b>

\* The Ovhor field straddles licenses OML 38 and OML 41, it is assumed to be 50% in OML 38 and 50% in OML 41.

The following table gives a breakdown of the Company share (20.25%) of the contingent resources 1C, 2C and 3C of the Amukpe and Ovhor operating fields, as well as the discoveries of Mosogar and Okporhuru, as estimated as at 30 June 2011 by Gaffney, Cline & Associates in its Competent Person's Report covering OMLs 4, 38 and 41 dated 1 November 2011:

Fields	Type d'hydrocarbon					
	Oil + condensate (MMbbl)			Gas (Bscf)		
	1C	2C	3C	1C	2C	3C
<b>Producing</b>						
Amukpe	0.53	0.60	0.68	13.63	15.02	16.41
Ovhor*	0.42	0.60	0.71	0.03	0.04	0.05
<b>Discoveries</b>						
Mosogar	2.09	11.69	25.07	Not estimated	Not estimated	Not estimated
Okporhuru	1.42	4.48	13.70	Not estimated	Not estimated	Not estimated
<b>Total</b>	<b>4.46</b>	<b>17.37</b>	<b>40.16</b>	<b>13.66</b>	<b>15.06</b>	<b>16.46</b>

\* The Ovhor field straddles licenses OML 38 and OML 41, it is assumed to be 50% in OML 38 and 50% in OML 41.

The Company states that information concerning resources used for the acquisition of OMLs 4, 38, and 41 in 2010 refers to additional contingent oil and condensate resources 1C and 2C in OML 38 respectively amounting to 8.14 MMbbl and 15.47 MMbbl (in Company share (20.25%), before royalties). These contingent resources come in addition to those mentioned in the table presented above. The latter resources have not been estimated by Gaffney, Cline & Associates in its Competent Person's Report on the OMLs 4, 38 and 41 dated 1 November 2011.

#### 6.3.4.4 Detailed description of OML 41

OML 41, located in the State of Delta in south-western Nigeria, covers an area of 291 km<sup>2</sup>. OML 41 contains the Sapele operating field, which straddles OML 41 and OML 49, the Ovhor operating

field and two fields not in operation (the Ubaleme and Okoporo fields). Only 2D seismic data are available for OML 41, unlike OML 4 and OML 38, for which 3D data are also available.

(a) Sapele operating field

The Sapele operating field, located 40 km north of Warri, was discovered in 1969 and put into production in 1971. In June 2011, there were eight wells producing oil including four wells producing from the heavy oil reservoirs and four wells from the light oil reservoirs. Two wells were producing NAG.<sup>7</sup>

Total Sapele oil production during the first six months of 2011 was 884 Mbbbl.

The Sapele field's infrastructures include a gas production plant with a capacity of 90 Mcf/d and a flowstation with a capacity of 60 Mbbbl/d that routes Sapele production to the Forcados terminal through the Sapele-Amukpe, Amukpe-Rapele and Rapele-Forcados oil pipelines. Condensate is exported towards the Oben-Amukpe pipeline.

(b) Ubaleme and Okoporo discoveries

Ubaleme was discovered in 1968. On this field, none of the three wells (UBLM-01, UBLM-02 and UBLM-03) were tested and the contingent resources are attributed on the basis of data resulting from the drilling of the wells. Six reservoirs located between 2,530 and 3,810 meters deep (true vertical depth subsea – TVDss) contain hydrocarbons, of which two are oil bearing (D1000 and D5000). To date, production has not begun at Ubaleme.

The Okoporo discovery was made in 1961. On this structure, there are eight reservoirs within a range of 1,650 to 2,750 metres deep, of which four are oil bearing. To date, production has not begun at Okoporo. However, Seplat is planning to develop Okoporo in 2013.

3D seismic data were acquired over all the fields in 1996. New maps were generated based on the 3D seismic which is judged to be of fair quality. However, no interpretation has been made to date from these measures.

(c) Other discoveries

There are a number of other discoveries located on OML 41 which have not been evaluated by Gaffney, Cline & Associates in its Competent Person's Report covering OMLs 4, 38 and 41 dated 1 November 2011.

(d) Estimate of contingent resources and reserves

The following table gives a breakdown of the Company share (20.25%) of the Ovhor and Sapele operating field reserves 1P, 2P and 3P as estimated by Gaffney, Cline & Associates in its Competent Person's Report covering OMLs 4, 38 and 41 dated 1 November 2011:

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<sup>7</sup> Non associated gas is a natural gas which is in reservoirs that do not contain significant quantities of crude oil, where the volume of oil is small and where production of such gas does not significantly affect the recovery of the crude oil.

Fields	Type of hydrocarbon					
	Oil + condensate (MMbbl)			Gas (Bscf)		
	1P	2P	3P	1P	2P	3P
Ovhor*	3.31	6.05	7.98	0.28	0.64	0.80
Sapele	1.87	4.38	6.88	6.16	16.32	21.20
<b>Total</b>	<b>5.18</b>	<b>10.43</b>	<b>14.86</b>	<b>6.44</b>	<b>16.96</b>	<b>22.00</b>

\* The Ovhor field straddles licenses OML 38 and OML 41; it is assumed to be 50% in OML 38 and 50% in OML 41.

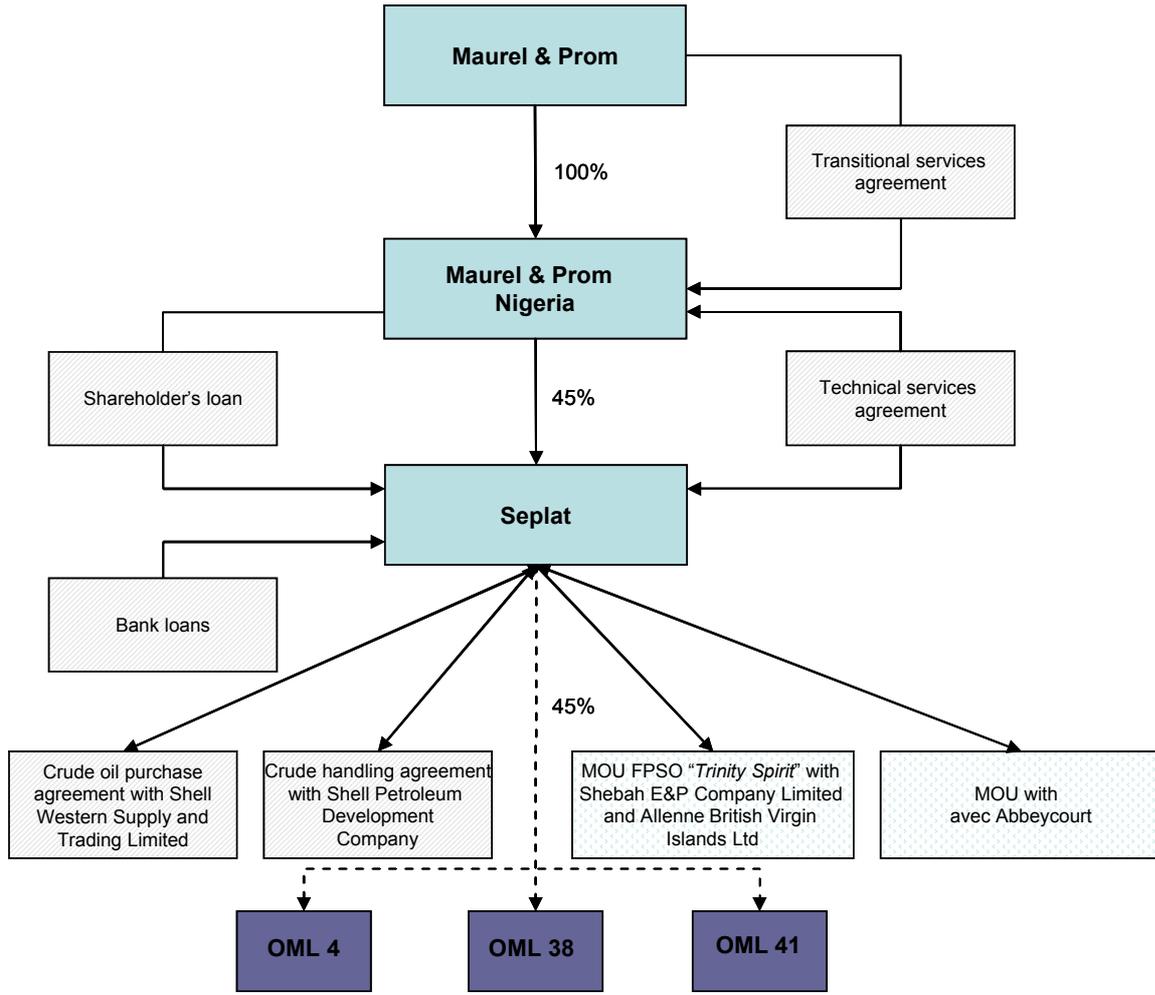
The following table gives a breakdown of the Company share (20.25%) of the contingent resources of the Ovhor and Sapele operating field as well as the discoveries of Ubaleme and Okoporo as estimated as at 30 June 2011 by Gaffney, Cline & Associates in its Competent Person's Report covering OMLs 4, 38 and 41 dated 1 November 2011:

Fields	Type of hydrocarbon					
	Oil + condensate (MMbbl)			Gas (Bscf)		
	1C	2C	3C	1C	2C	3C
<b>Producing</b>						
Ovhor*	0.42	0.60	0.71	0.03	0.04	0.05
Sapele	9.16	15.66	15.63	14.89	20.73	20.04
<b>Discoveries</b>						
Ubaleme	0.78	1.65	2.84	Not estimated	Not estimated	Not estimated
Okoporo	5.07	10.82	18.59	Not estimated	Not estimated	Not estimated
<b>Total</b>	<b>15.43</b>	<b>28.73</b>	<b>37.77</b>	<b>14.92</b>	<b>20.77</b>	<b>20.09</b>

\* The Ovhor field straddles licenses OML 38 and OML 41; it is assumed to be 50% in OML 38 and 50% in OML 41.

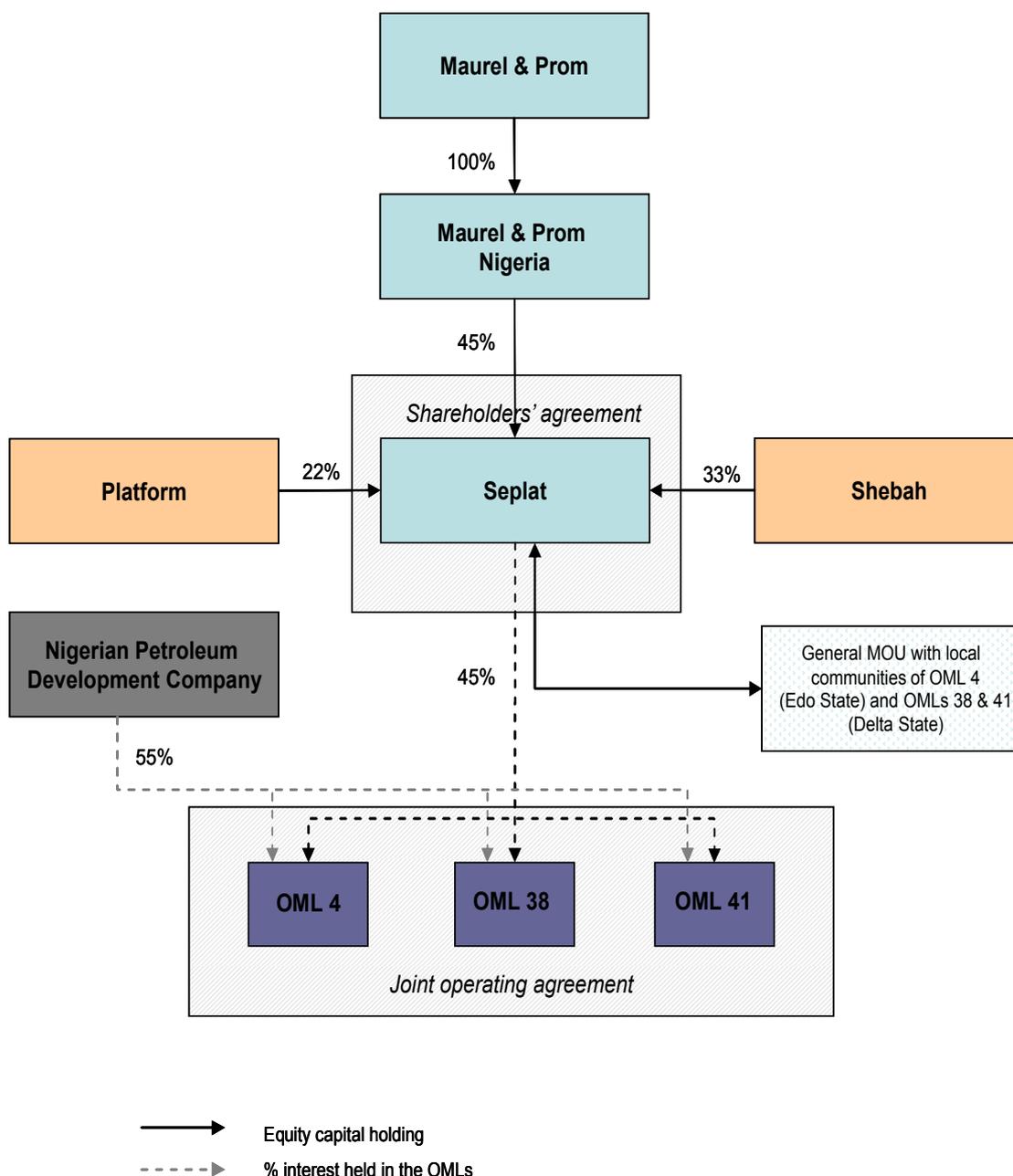
6.3.5 Contractual environment

The following chart shows an overall view of the partnership agreements prior to the Distribution.



—————> Equity capital holding  
 - - - - -> % interest held in the OMLs

The following chart shows an overall view of the operating agreements prior to Distribution.



### 6.3.5.1 Agreement for assignment of 45% of OMLs 4, 38 and 41 to Seplat

By means of an agreement to assign oil operating rights, subject to Nigerian law and entered into on 29 January 2010 between Seplat, Shell Petroleum Development Company of Nigeria Limited ("SPDC"), Total (E&P) Nigeria Limited and Nigerian Agip Oil Company Limited (the "Agreement for Assignment"), Seplat acquired the 45% interest held by SPDC, Total and Agip (collectively, the "Assignors") in OMLs 4, 38 and 41. The remaining 55% interest in OMLs 4, 38 and 41 is held by the Nigerian National Petroleum Corporation, replaced in September 2010 by its subsidiary, the Nigerian Petroleum Development Company.

In addition to the acquisition of 45% of the rights in OMLs 4, 38 and 41, the Agreement for Assignment also provides for the transfer of certain facilities and equipment pertaining to said

OMLs, in addition to the transfer of the employment contracts of 27 employees working on the assets transferred from the Assignors to Seplat.

Seplat's acquisition of 45% of the rights under OMLs 4, 38 and 41 was made for a total maximum price of USD 373 million, including the payment of an initial sum of USD 340 million and, under certain conditions, the payment of a price adjustment of USD 33 million.

The price adjustment must be paid by Seplat to the Assignors if the Brent price per barrel is greater than or equal to the average price of USD 80 as calculated over a period of 731 consecutive calendar days starting from 30 July 2010. Under clause 4.1(ii)(e) of the Agreement for Assignment, it is agreed that this price adjustment is to be paid in the month following this period of 731 calendar days. If Seplat does not pay the price adjustment on the agreed date, 70% of all payments due to Seplat under the crude oil purchase agreement entered into between Seplat and Shell Western Supply and Trading Limited on 30 July 2010 (see section 6.3.5.5(b) of this prospectus) will revert to the Assignors as payment for the price adjustment and any late payment interest due until all sums owed in respect of such price adjustment have been paid.

After fulfilment of the conditions precedent to the Agreement, the assignment of the rights effectively took place on 30 July 2010, accompanied by the conclusion of (i) a novation of the joint operating agreement dated 30 July 2010 (see section 6.3.5.3 of this prospectus) (ii) a crude handling agreement dated 30 July 2010 (see section 6.3.5.5(a) of this prospectus), (iii) a crude oil purchase agreement dated 30 July 2010 (see section 6.3.5.5(b) of this prospectus) and (iv) a transitional services agreement entered into with SPDC and intended to guarantee, for a transitional period, the operation of OMLs 4, 38 and 41 to the benefit of Seplat following the effective assignment. This transitional services agreement expired on 30 January 2011.

A number of guarantees were granted by the Assignors under the Agreement for Assignment. The principal concerns include environmental issues, regarding which the Agreement for Assignment provides that as at the date of contract signature, the operator (SPDC) warrants that:

- it has not received notice of any environmental law violation in relation to OMLs 4, 38 and 41 that would have a material adverse effect on the licenses;
- to the best of its knowledge there is nothing that could lead to any notice of violation of Nigerian environmental laws in connection with OMLs 4, 38 and 41;
- to the best of its knowledge, (i) no amount has been paid for the future rehabilitation of the OML 4, 38 and 41 sites and (ii) no agreement has been entered into concerning the withdrawal from or abandonment of such sites.

Claims under these warranties could be made to the Assignors for a period of one year as from the completion date of the acquisition of OMLs 4, 38 and 41, i.e. until 30 July 2011. As far as the Company is aware, no claim was sent to the Assignors during the period in question.

Furthermore, with regard to environmental issues, Agreement for Assignment also makes Seplat responsible for environmental liabilities (including rehabilitation costs) incurred before, during or after the completion date of the assignment, 30 July 2010.

#### *6.3.5.2 Seplat shareholders' agreement*

The Company's relationship with its Partners in Seplat is governed by a shareholders' agreement under English law entered into on 22 December 2009 (the "**Shareholders' Agreement**"), whose main provisions, still in force as at the date of this prospectus, are summarized in the following paragraphs.

The Shareholders' Agreement was initially signed by Maurel & Prom. The Company then joined the Shareholders' Agreement on 3 June 2010 pursuant to a deed of adherence. Maurel & Prom ceased to be a party to the Shareholders' Agreement on 26 September 2011, pursuant to an amendment agreement, and its rights and obligations under the Shareholders' Agreement were transferred by and on the date of said deed to the Company.

Article 11.3 of the Shareholders' Agreement also provides that if the Company ceases to be a Maurel & Prom affiliate, which will be the case after the Distribution, it must transfer its Seplat shares to Maurel & Prom.

The Partners expressly waived this provision of the Shareholders' Agreement by signing a waiver dated 26 September 2011. In this same waiver, they also expressly waived the confidentiality clause set forth in Article 16 of the Shareholders' Agreement so as to enable a detailed description of the Shareholders' Agreement to be included in this prospectus.

The main provisions of the Shareholders' Agreement are presented below.

### **Provisions relating to governance of Seplat**

#### *Composition of the Seplat Board of Directors*

The Seplat board of directors is composed of five members, with two directors representing Shebah, one representing Platform and two representing the Company.

If Seplat's shareholders decide to increase the number of directors, each has the right to appoint additional directors *pro rata* to their share in Seplat's equity. Each Seplat shareholder is at liberty, after consulting other shareholders, to decide to remove the director or directors it has appointed and to designate a new director, provided it gives the other shareholders notice of its decision. If a shareholder decides to remove a director, it must indemnify Seplat for all amounts Seplat may have to pay to the director concerned in respect of claims regarding the removal.

The chairmanship of the board of directors falls to one of the directors appointed by Shebah and Platform. The chairman of the board of directors is appointed and removed by the shareholders, resolving by a majority vote of at least 50.01% of the shares that they hold in Seplat or by written decision made by person(s) representing that same majority. It is specified that the chairman of the board of directors does not have a casting vote.

As at the date of this prospectus, the chairman of the board of directors is Mr A.B.C. Orjiako, a Shebah director.

#### *Board authority, decision-making and convening procedures*

All decisions involving the supervision and management of Seplat must be made at meetings duly convened and held of the board of directors. All decisions are subject to a written approval or a vote of the directors.

The Seplat board of directors is normally convened by the Company Secretary at the request of the chairman of the board, but any director may call a meeting. The board meets at intervals it determines at the beginning of each year and as often as necessary.

#### *Quorum and majority*

In order to be valid, each decision of the board of directors requires the attendance of at least one director representing each Seplat shareholder. However, even if there is a quorum, each director has the right to request that the meeting be adjourned, with such postponement only taking place once for any given meeting.

In calculating the majority, the directors appointed by each shareholder have the number of votes corresponding to the percentage of Seplat shares held by the appointing shareholder.

Decisions of the Board of Directors are carried by a 50.01% majority of votes, except for the major decisions listed below.

These major decisions require an 80% majority of votes, but only until the shareholder loan granted by the Company to Seplat has been fully repaid (see section 6.3.5.4(b) of this prospectus for more details on this loan), with the understanding that, in the event of the resolution related to such a decision is rejected, the resolution will be reconsidered at a subsequent meeting of the board of directors convened within 30 days and acting with a majority of 60% of the voting rights. To be validly adopted, the decision must also be approved by the chairman of the board of directors. If the resolution is still not adopted by the end of this second meeting, the dispute resolution described below will apply.

Seplat shareholders' meetings are subject to the same rules of quorum and majority as described above for the board of directors.

The Company thus has a veto right on these matters until the shareholder loan granted to Seplat has been fully repaid; once this shareholder loan has been fully repaid, the Company will no longer have the veto right (see section 6.3.5.4(b) of this prospectus).

The major decisions requiring a higher majority are the following:

- (i) all decisions on or payments of any dividends or of any distribution other than of net cash flow (as defined below);
- (ii) any increase in capital, grant of options or other securities giving access to Seplat capital (convertible or other types of securities), repayment or redemption of Seplat shares or any restructuring of its capital;
- (iii) any investment above USD 5 million (unless specifically provided for as part of Seplat's business plan) relating to one asset or more assets of a single operational unit;
- (iv) any change in the Seplat's business or the development of any new activities not deriving from the performance of the Company's core business;
- (v) any change in the articles of association or rights attached to Seplat shares;
- (vi) any acquisition or disposal of substantial assets;
- (vii) any renewal or increase in Seplat's debt burden, or any subscription to a new loan for an amount greater than USD 5 million, or any grant of a loan for an amount greater than USD 5 million; trade payables incurred in Seplat's ordinary course of business are not covered by this paragraph;
- (viii) Seplat's granting of any guarantee, surety, indemnity or other agreement to secure or assume financial or other obligations for an annual amount of more than USD 2 million;
- (ix) the conclusion of any agreement, contract or transaction with an affiliate that is not entered into under normal market conditions;
- (x) any acquisition or subscription of shares in another company or any equity interest in any group, association or joint venture, whether or not registered;
- (xi) any creation or grant of real rights over any portion of Seplat's business, commitments, assets or shares, or any agreement having such an objective, other than the preferential

claims created in the normal course of business such as pledges with retention rights granted in the normal course of business, with the exception of those required under the bank loan entered into by Seplat to finance a part of the acquisition price for the 45% interest in OMLs 4, 38 and 41 (described below in section 6.3.5.4(a) of this prospectus), for which only the consent of the Company is necessary;

- (xii) the conclusion of any agreement, contract or transaction representing a total financial commitment of more than USD 2 million and any decision relating to the agreement for assignment of rights in OMLs 4, 38 and 41 (described above in section 6.3.5.1 of this prospectus);
- (xiii) the adoption of any resolution relating to the liquidation of Seplat or the filing of a petition for administration (insolvency proceedings);
- (xiv) the replacement of the statutory auditors or change in fiscal year-end;
- (xv) the modification or authorisation to substantially modify the accounting standards adopted by Seplat for the preparation of its certified accounts, save as required to ensure compliance with the relevant applicable accounting standards;
- (xvi) major operational decisions on the OMLs, as listed below:
  - the choice of offtakers (purchasers of Seplat's production);
  - the choice of contracting counterparties responsible for drilling and other significant service providers;
  - the determination and application of policies regarding health, safety, the environment, human resources, and relationships with local communities and related aspects;
  - the appointment of key personnel within the Company;
  - insurance coverage;
  - litigation and any other significant disputes, including difficulties identified via audits relating to the joint operating agreement;
  - operations for which Seplat alone carries the burden of risk in accordance with the terms of the joint operating agreement;
  - calls for funds under the terms of the joint operating agreement;
  - short-term work schedules and budget approvals, including the five-year plan, all in accordance with the provisions of the joint operating agreement;
  - the withdrawal of all or part of a shared property within the meaning of the joint operating agreement;
  - service provisions by third parties (including hydrocarbon transport);
  - the rules applicable to operating and technical committees, in accordance with the joint operating agreement;
  - the designation of operating and technical committee members under the joint operating agreement; and

- the sharing of ancillary costs of covering administrative expenses and overhead charged to Seplat by Seplat affiliates in excess of the rate of 2.5% of the total investment charged to the parties to the joint operating agreement.

### Dispute Resolution

The Shareholders' Agreement contains a dispute escalation clause. Under this clause, and subject to the applicable rules on quorum and majority described above, if the parties to the Shareholders' Agreement cannot agree on any important decision listed in the preceding paragraph or any other decision regarding the management of Seplat requiring their approval, such decision is to be submitted to the chairmen of the respective boards of directors of each of Seplat's shareholders in order to reach an agreement in the best interests of Seplat as soon as possible.

### **Financing for Seplat's activities**

#### Financing for the acquisition of the 45% interest in OMLs 4, 38 and 41

The provisions of the Shareholders' Agreement concerning the funding of Seplat's activities provided for the obligation that Maurel & Prom (which the Company has since replaced) set up the necessary financing for the acquisition of OMLs 4, 38 and 41, financing that was accomplished via loans granted to Seplat by the Company and BNP Paribas in the amount of USD 153 million and USD 187 million respectively, under the conditions of the Shareholders' Agreement and as these loans are described in sections 6.3.5.4(b) and 6.3.5.4(a) of this prospectus.

The BNP Paribas Loan was fully repaid in March 2011 and was replaced by a bridge loan (see section 6.3.5.4(a) of this prospectus) in the amount of USD 200 million.

Furthermore, the shareholder loan granted by the Company to Seplat has been partially repaid as described in section 6.3.5.4(b) using the new bank financing obtained by Seplat since the conclusion of this shareholder loan. The maturity date of the loan should not exceed five years from the date of the Shareholders' Agreement.

Regarding the repayment of these loans, the Shareholders' Agreement provides that the principal and related interest are to be paid out of revenue derived from the hydrocarbons extracted from OMLs 4, 38 and 41. In fact, under the terms of the Shareholders' Agreement, 80% of hydrocarbon revenue generated by OMLs 4, 38 and 41, after payment of royalties, taxes and investment and operating expenses ("**Net Cash Flow**"), must be allocated to repayment of (i) the principal and interest on the shareholder loan, on a 45% basis, and (ii) amounts borrowed from banks to finance the acquisition, on a 55% basis. The Company notes that in practice the available cash flow is allocated as a priority to the reimbursement of the bank loan rather than the shareholder loan, to avoid breaching the reimbursement obligations set out in the bank loan.

The balance of the Net Cash Flow must be distributed to Seplat's shareholders *pro rata* to their equity interest, after taking into account Seplat's cash flow requirements versus its budget forecast, payments to be made under the joint operating agreement, prudential reserves to be established, working capital requirements and any other sums required to ensure its operational continuity (see the paragraph below regarding dividends).

#### Future financing

The Shareholders' Agreement provides that financing for the future activities and investments of Seplat should come as a priority from the available cash flow generated by Seplat's business and any additional funds that may be necessary should come as a priority from third parties, particularly via bank loans. In addition, Seplat's shareholders may be solicited to contribute to financing its business activities or development if the board of directors were to make the necessary decision (it being understood that the Company has a veto right regarding important Company decisions, and

specifically for any investment of more than USD 5 million) or if Seplat's annual business plan were to provide for investments justifying such a contribution (the business plan must be approved unanimously by Seplat's shareholders and therefore the Company). In this case, the Shareholders' Agreement provides that if either of the Company's partners in Seplat or both of them did not have the necessary funds to make their respective contribution, the amount would, at the request of the partner concerned, be advanced by the Company and paid to Seplat, and, if the Company agrees, any amount advanced by the Company as described would constitute a loan to the partner concerned, at market interest rates. Identical terms are provided in the event of a deficiency in the contribution amount from Shebah and/or Platform for the payment of the additional price adjustment for the acquisition of Seplat's 45% interest in OMLs 4, 38 and 41, if such payment were to fall due.

In addition, any amount paid by the Company to Seplat as its own contribution to such operating expenses and investment will be added to amounts owed by Seplat to the Company under the shareholder loan granted by the Company to Seplat for the acquisition of its interest in OMLs 4, 38 and 41.

### **Provisions on the transfer of Seplat shares**

The Shareholders' Agreement contains a number of clauses for the transfer of Seplat shares; the main transfer clauses are summarised in the following paragraphs.

The concept of a transfer referred to below mainly includes, under the terms of the Shareholders' Agreement (i) any assignment or other transaction resulting in the transfer of Seplat shares, (ii) the creation of preferential claims in respect of shares held by Shebah and Platform (except those established as part of the financial obligations stipulated under the Shareholders' Agreement), (iii) the creation of a trust or an award of interest or options and (iv) any *portage* (securities repurchasing) agreement.

#### Authorised transfers

Any Seplat shareholder may sell or transfer all or part of the shares that it holds in Seplat to a member of its group or to another Seplat shareholder holding the same class of shares.

Such transfer is authorised provided that the transferor warrants that the transferee will sign and issue to the other parties a deed of adherence appended to the Shareholders' Agreement, in which the transferee sets agrees to be bound by the terms of the Shareholders' Agreement.

When the transferee ceases to belong to the transferring Seplat shareholder's group, the latter undertakes to ensure that the shares in question are returned to it.

#### Other transactions

##### *Prohibited transactions*

The transfer of Seplat shares is prohibited, except for (i) the authorised transfers referred to in the preceding paragraphs and under the conditions described therein, (ii) transfers made under the conditions outlined below and provided that transfer has been authorized in writing by at least a 50.01% majority of votes or shares of each class of shares held by the Seplat shareholders (such permission not to be unreasonably withheld to the extent that the potential transferee has the same financial and technical capacity as the transferor), and (iii) transfers arising from a default event (see below).

### *Prior authorisation of the Company for transfers of Shebah or Platform shares*

Moreover, notwithstanding any other provisions of the Shareholders' Agreement, and until the bank loan (as refinanced) used to fund part of the acquisition price of Seplat's interest in the OMLs (see section 6.3.5.4(a) of this prospectus) is fully repaid, the Company's prior written consent is required for any transfer by Shebah or Platform of their Seplat shares (i) to a third party that (ii) consequently reduces their stake in Seplat to less than 10%.

### *Status as a Nigerian company*

The Shareholders' Agreement also provides that, notwithstanding any other terms of the Shareholders' Agreement, no transfer of Seplat shares adversely affecting Seplat's status as a "Nigerian company" may be carried out. Furthermore, the Company may not sell Seplat shares to a Nigerian investor without obtaining prior written consent reflecting the majority of shares held by Shebah and Platform.

### *Right of first refusal*

Seplat's shareholders have a right of first refusal for the transfer of Seplat shares by any Seplat shareholder subject to:

- authorised transfers;
- situations where the prior agreement of one or more Seplat shareholders is required for the transfer, as described below;
- the events of default described below; or
- the right of proportional joint withdrawal described below.

When this right is applicable, if none of the shareholders exercises its right of first refusal (and, as appropriate, if all the necessary authorisations required under the Shareholders' Agreement have been obtained), the transferring shareholder may transfer its Seplat shares to a third party for a price that is equal to or greater than the price notified to the other shareholders under their right of first refusal and on terms that are substantially similar to that offer. In addition, the transfer may then only take place if the third party transferee adheres to the Shareholders' Agreement.

### *Proportional tag along right*

Without prejudice to the terms of the Shareholders' Agreement relating to Seplat's status as a "Nigerian company" described above, in the event that a third party makes an offer to purchase at least 25% of Seplat's shares (the "**Purchase Offer**"), the transferring shareholder may not sell any of its shares to such third party until it obtains a written offer in which said third party undertakes to acquire a number of Seplat shares from each Seplat shareholder equal to the maximum number of shares that the transferee has indicated it wishes to acquire in its Purchase Offer multiplied by the ratio between the number of shares held by the shareholder in question and the total number of Seplat shares held by shareholders who stated their intention to accept the Purchase Offer.

The offer made to the other shareholders must be identical to the offer made to the transferring shareholder with respect to price, timeframe, and terms of sale.

### *Mandatory transfers - event of default*

The Shareholders' Agreement provides that, if a Seplat shareholder:

(i) substantially or repeatedly breaches the terms of the Shareholders' Agreement and fails to remedy such breach, to the extent that it is possible to do so, within 30 business days of a request from one of the other shareholders to remedy the breach; or

(ii) is the subject of a liquidation process (unless part of a legitimate restructuring or merger) that is voluntary, court-ordered or another type of insolvency proceeding listed in the Shareholders' Agreement, such as the appointment of a court administrator ((i) and (ii) together constitute the "**Events of Default**"),

the defaulting shareholder may be obliged to transfer its Seplat shares under the following conditions:

- following the occurrence of an Event of Default and assuming that it said Event is not remedied within the notification periods required under the Shareholders' Agreement, the parties to the Shareholders' Agreement must make all reasonable efforts to agree on the fair value of the Seplat shares held by the defaulting shareholder;
- in the absence of agreement between the parties as to the fair value of the defaulting shareholder's Seplat shares within the timeframe provided in the Shareholders' Agreement, such fair value will be determined by an independent certified accountant who is a member of an accounting firm of international repute, acting as an expert and not as an arbitrator under the procedure detailed in the Shareholders' Agreement (the costs for the accountant being borne by the defaulting shareholder);
- after the fair value of the Seplat shares has been determined either by mutual agreement or by the certified accountant, the non-defaulting shareholders may, within the timeframe provided under the Shareholders' Agreement, require the defaulting shareholder to either (i) transfer all of the Seplat shares that it or its affiliates hold to the non-defaulting shareholder or shareholders (or their affiliates) at the determined fair value, *pro rata* to their stake in Seplat, or (ii) acquire the shares of the non-defaulting shareholders for a price equal to the determined fair value plus a 5% premium.
- After such notification by the non-defaulting shareholders, each shareholder must do everything in its power so that Seplat may continue its normal course of business, and the defaulting shareholder will be deprived of any right to vote at board of directors or general shareholders' meetings until the transfer of the Seplat shares in question has been completed.

### **Other important provisions**

#### Accounts, financial information and business plan

The Shareholders' Agreement provides that Seplat's financial statements must be prepared according to the IFRS and that each party must have access to Seplat's archives and financial statements at all times, provided that the request for access is reasonable.

Seplat also has an obligation to provide Seplat shareholders with the financial information necessary to enable them to be informed of Seplat's business performance and must provide the business plan prepared annually by the board of directors (and subject to the approval of the shareholders), the corresponding annual budget and monthly information on Seplat's financial position to each party to the Shareholders' Agreement.

#### Dividends

Subject to Seplat's repayment obligations under its bank financing, its cash requirements in relation to its projected budget, payments to be made under the joint operating agreement, the prudential

reserves, its necessary working capital and other sums required to ensure its continuity, the parties to the Shareholders' Agreement must ensure that the distributable income for each fiscal year will be distributed as a dividend in proportion to their equity in Seplat, within six weeks from the end of the fiscal year.

#### Performance of services

The Shareholders' Agreement provides that the Company will provide qualified personnel in technical and financial support on secondment as required by Seplat and at Seplat's expenses. The services covered by this obligation are now provided under the technical services agreement between Maurel & Prom and Seplat dated 31 July 2010, as modified by an amendment between Maurel & Prom, the Company and Seplat dated 26 September 2011 (see section 19.2.1 of this prospectus).

Furthermore, the Shareholders' Agreement provides for the designation of the Partners as service providers to Seplat for the local services that Seplat may need to operate OMLs 4, 38 and 41. The services covered by this agreement are currently provided under the local content services agreement executed between Seplat, Shebah Petroleum Development Company Limited and Platform Petroleum Limited on 30 November 2010 (see section 19.2.4 of this prospectus).

#### Listing on the stock market

The Shareholders' Agreement provides that in the event that the parties to the Shareholders' Agreement decide to have Seplat's shares listed on the stock market, said parties will have the right to participate in proportion to their stake in Seplat's capital at the time of this transaction.

#### Termination of the Shareholders' Agreement

The parties to the Shareholders' Agreement may decide, at any time and by unanimous written decision, to cancel the Shareholders' Agreement. The Shareholders' Agreement will also be terminated (i) automatically, if all of the Seplat shares are held by a single shareholder, or (ii) immediately, if the shareholders decide to dissolve Seplat or if a liquidator is designated.

#### *6.3.5.3 Joint Operating Agreement*

On 11 July 1991, Shell Petroleum Development Company of Nigeria Limited (**SPDC**), Agip Oil Company, Elf (Nigeria) Limited (which became Total (E&P) Nigeria Limited) and the Nigerian National Petroleum Corporation entered into a joint operating agreement subject to Nigerian law governing the relationship between the parties in the exploration, development and operation of OMLs in Nigeria, including OMLs 4, 38 and 41. Under the terms of that agreement, SPDC was designated as operator of OMLs 4, 38 and 41.

The parties to the joint operating agreement of 11 July 1991 then decided, in a side letter, to exclude OMLs 4, 38 and 41 (and all related joint property rights, interests, responsibilities and "working capital") from the scope of that agreement. The parties then executed a new joint operating agreement on 29 July 2010 exclusively covering OMLs 4, 38 and 41, whose terms and conditions are identical to those under the joint operating agreement executed 11 July 1991.

On 30 July 2010, by novation deed, Seplat became a party to the joint operating agreement for OMLs 4, 38 and 41, and SPDC companies, Agip Oil Company and Elf (Nigeria) Limited (which became Total (E&P) Nigeria Limited) ceased to be parties in relation to OMLs 4, 38 and 41 (the "**Joint Operating Agreement**").

#### **Responsibilities**

Under the terms of the Joint Operating Agreement, Seplat was designated as operator of OMLs 4,

38 and 41, and as such assumes the rights and obligations inherent to said status, as described below. The operator may enter into agreements with third parties relating to (i) the provision of the facilities used within the context of the Joint Operating Agreement (after written consent from the Nigerian Petroleum Development Company) and (ii) the supply of goods or services within certain monetary limits and subject to any limitations on such authority decided by the operating committee. The operator is also in charge of preparing the timetable for the work schedules and required budgets.

The operator is also responsible for hiring and assigning employees, preparing the financial statements, managing joint bank accounts with the Nigerian Petroleum Development Company, obtaining titles of ownership or leases for the land necessary to conduct operations as well as any surface rights and easements also needed. Under the Joint Operating Agreement, the operator represents the parties to the Joint Operating Agreement in disputes and settlements involving OMLs 4, 38 and 41 according to the strategy decided by the operating committee. The operator must also keep the Nigerian National Petroleum Corporation informed about operations that have been carried out, providing it with specific technical information (a monthly report on production and drilling activities, an annual report on reserves). Finally, the operator is at liberty to consult the Nigerian Petroleum Development Company on any significant issue relating to the responsibilities that have been entrusted to it.

It should be noted that the operator must conduct joint operations in good faith, diligently and in accordance with (i) practices in force in the oil industry and (ii) the applicable regulations. The operator incurs no liability for losses or damage, except in the case of gross misconduct by one of its representatives or employees. Furthermore, the operator is not liable vis-à-vis the Nigerian Petroleum Development Company for reservoir pollution or damage, or for any related losses or damage.

### **Termination of responsibilities as operator**

The Joint Operating Agreement provides that the operator may be removed, in particular in the event of (i) an assignment of its powers and responsibilities to a party other than an affiliated company (or where the operator ceases to be affiliated with its "assignee"), (ii) an assignment of its interest to a party other than an affiliated company, (iii) an assignment of its rights to creditors, (iv) gross negligence, (v) voluntary or court-ordered dissolution, (vi) loss of the operator's status as a legal person, (vii) a judicial decision requiring assignment of the operator's interests in OMLs 4, 38 and 41 as covered by the Joint Operating Agreement, (viii) resignation by the operator or (ix) insolvency.

If the operator resigns from its responsibilities, it must give at least a six-month prior notice.

### **Operating committee**

The powers of the operating committee include the management, control and supervision of all matters pertaining to joint operations. In particular, the operating committee has the power;

- to approve, revise or reject programmes and budgets;
- to study and approve the recommendations from subcommittees relating to programmes and budgets;
- to study and make decisions – subject to approval by the parties to the Joint Operating Agreement – concerning the expansion or reduction of zones covered by the Joint Operating Agreement;
- to settle any dispute over a certain amount and to ensure that the operator applies the decisions of the operating committee; and

- more generally, to make any decisions on joint operations that do not fall within the operator's remit and exclusive control.

Furthermore, any assignment or transfer of any information or jointly-owned property to third parties (other than information that is usually exchanged with third parties in the oil and gas sector) should be reviewed and approved in advance by the operating committee.

The operating committee is composed of 12 members, 6 appointed by Seplat and 6 appointed by the Nigerian Petroleum Development Company. The committee chairman is appointed by the Nigerian Petroleum Development Company and the committee secretary is appointed by Seplat.

Unless otherwise provided in the Joint Operating Agreement, all operating committee decisions are to be made unanimously (with the exception of votes to remove the operator, which would require the vote of one or several parties holding an interest of more than 60% in the OMLs, with the operator not participating in the vote), it being understood that for the decision to be valid, a quorum of 4 representatives from Seplat and 4 representatives of the Nigerian Petroleum Development Company must attend the meeting.

If need be, the operating committee may create subcommittees with advisory functions.

### **Financing of joint operations**

#### *Distribution of financing*

Each party contributes to the financing of joint operations in proportion to its interest in the OMLs. All costs and expenses in respect of programmes and budgets and all income from the operations are determined, registered into the accounts and authorised according to a specific procedure set out in the Joint Operating Agreement.

#### *Calls for funds*

Each party shares in all expenses incurred for the joint account in proportion to its interest. The Nigerian Petroleum Development Company is entitled to pay its share in crude oil, on condition that the operator is given prior notice.

#### *Financing of expenses for joint operations*

Any payments related to joint operations are to be made from the joint account.

#### *Payment default by a party following a call for funds*

If a party fails to make payment further to a call for funds, it will be given notice by the operator and, if necessary, an emergency meeting of the operating committee will be convened to examine the situation. After the operating committee has met to review possible solutions for such payment default, the default may be remedied by a non-defaulting party in proportion to its interest until such time as the sum is repaid by the defaulting party. In such case, the defaulting party will pay interest on that sum to the non-defaulting party which has remedied the default. As long as the payment default persists, the defaulting party's portion of the joint account will be used to reimburse the party that has advanced the funds. The non-defaulting party may take recourse against the defaulting party after four months by any legal means, or may suspend joint operations related to the interest held by the defaulting party.

### **Insurance**

Each party undertakes to enter into and to maintain the necessary individual insurance policies throughout the period of operations. In addition, the operator undertakes to enter into and to

maintain the necessary insurance policies throughout the period of joint operations; if it fails to do so, it may be held liable for any losses resulting from such failure.

### **Abstention clause for sole risk operations**

Sole risk operations are those relating to the drilling, deepening, expansion or capping of exploration wells, as well as any other activity that parties may opt to conduct as a sole risk operation. A sole risk operation cannot be carried out if it may have a significant negative impact on joint operations or if it is contrary to the programmes.

A party to the Joint Operating Agreement may decide to undertake performance of a sole-risk operation after the operating committee and other parties have decided not to pursue or to abandon a given joint operation. Said party will then assume the risks and costs. If one or more other parties wish to participate, the operator must perform the operation even if it is not a participant. However, the risks, costs, investments and supervision of the sole risk operations are the responsibility of the participating parties.

However, a non-participating party may subsequently choose to participate in the sole risk operation by paying the participating parties a penalty for its late participation in the operation, in an amount equal to the expenses and costs committed to the sole risk operation on the date on which the former decided to contribute, in proportion to its stake plus 200%. If another party participates in a sole risk operation, the operation then continues as a joint operation.

The joint assets and the operator's personnel may be used for the completion of a sole risk operation. Nevertheless, the implementation and execution of joint operations take priority over sole risk operations.

In addition, any property acquired as part of a sole-risk operation is the exclusive property of the party or parties participating in the sole-risk operation. Facilities for a sole risk operation as well as the resulting oil production are the property of the participating parties, until such time as any non-participating parties decide to participate.

The participating party or parties undertake to indemnify non-participating parties for any loss that may arise either directly or indirectly from the conduct of sole risk operations.

### **Government relations and dealings**

The parties are represented by the operator in their relations with the government or government entities regarding any subject relating to joint operations. The operator is responsible for preparing and following up on any request filed with the government under the regulations in force. When the parties choose to represent themselves before government entities, they must inform the operator of any such correspondence, with the exception of confidential communications between the Nigerian National Petroleum Corporation and government entities.

### **Training for Nigerian National Petroleum Corporation employees**

The operator must provide the necessary facilities for training for employees of the Nigerian National Petroleum Corporation as part of joint operations in accordance with the training programmes approved by the parties and accept any reasonable proposal for the secondment of Nigerian National Petroleum Corporation employees.

### **Relationship between the parties**

The rights, obligations, responsibilities and liabilities of the parties are several and not joint or collective.

## **Sale of crude oil**

The parties have the right to dispose of their portion of the available oil production in proportion to their interest in the OMLs, according to the specific procedure and conditions set out in the agreement. Transfers of ownership take place at the moment crude oil passes the flange connecting the operator's pipeline or other delivery mechanism to the transport vessel.

## **Applicable law and disputes**

The Joint Operating Agreement is governed and is to be construed in accordance with the laws of the Federal Republic of Nigeria. Any dispute between the parties pertaining to the interpretation or performance of the agreement will be submitted for arbitration in accordance with the laws of the Federal Republic of Nigeria.

## **Term**

The Joint Operating Agreement will remain in force as long as the concessions exist and until all joint assets have been transferred or assigned.

## **Assignment and transfer of rights deriving from the Joint Operating Agreement**

The prior consent of the other parties is required before any party may transfer its interest and its rights under the Joint Operating Agreement. The prior consent of the other parties is also required for any party to establish security interests on its interest or rights in the joint assets.

However, the parties are free to make transfers to affiliated companies, subject to notifying the other parties and, as appropriate, to obtaining all necessary governmental authorisations. In this case, the transferring party remains liable towards the other parties for all obligations relating to the interest that it has transferred, unless otherwise agreed with the other parties or unless otherwise decided by the operating committee after a review of the transferee's financial strength and capabilities, and subject to the transferee undertaking unconditionally to bear all obligations of the transferring party.

In the event of a transfer, the transferring party must have fully performed its obligations under the agreement up to the effective date of the transfer. The transferee must meet the criteria for sufficient financial strength and capabilities to satisfy its obligations under the agreement.

Other parties also have a right of first refusal in the event a party proposes to assign its interest to a third party.

Lastly, companies with operator status may assign this status to an affiliated company after obtaining prior written consent from the other parties.

### *6.3.5.4 Loans granted for financing the acquisition of rights in OMLs 4, 38 and 41*

Financing for the acquisition of Seplat's 45% interest in OMLs 4, 38 and 41 was initially obtained via a bank loan, which has since been refinanced with various banks and through a shareholder loan granted by the Company to Seplat.

#### **(a) Initial bank loan and Bridge Loan**

Seplat obtained a bank loan for USD 187 million from BNP Paribas on 25 June 2010 (the "**BNP Paribas Loan**"), representing 55% of the amount of the acquisition cost, corresponding to Platform's and Shebah's equity interest in Seplat. The first repayment for USD 20 million was made by Seplat at the end of December 2010 and the balance of the loan (USD 167 million) was then repaid in full in March 2011.

On 29 March 2011, Seplat obtained a bridge loan from African Export-Import Bank, with other banks, (the "**Bridge Loan**") for a principal amount of USD 200 million, that enabled it to repay the BNP Paribas Loan in full and part of the Shareholder Loan (approximately USD 31 million).

On 22 July 2011, a first rider was signed with respect to the Bridge Loan with African Export-Import Bank, Skye Bank Plc, United Bank for Africa Plc and First Bank of Nigeria Plc (the "**Lenders**") to record an amount of USD 550 million allocated in two tranches.

The first tranche for USD 200 million ("**Tranche A**") corresponds to the principal amount already withdrawn under the Bridge Loan of 29 March 2011 to reimburse the BNP Paribas Loan and partially reimburse the Shareholder Loan. The amount available under the Bridge Loan has been increased by the creation of a second long-term tranche for a principal amount of USD 350 million ("**Tranche B**").

Seplat, as the borrower, has undertaken to use Tranche B of the Bridge Loan to finance the acquisition of assets, its business and its working capital requirements and to reimburse amounts payable under the Shareholder Loan or any other amount due under the Shareholder Loan.

On 22 July 2011, a second amendment was signed with respect to the Bridge Loan to amend the object of Tranche B and allow Tranche A to be repaid by withdrawing funds from Tranche B, subject to the fulfilment of certain conditions. On 29 July 2011, a further amendment was signed to modify the maturity date of Tranche A to 30 September 2011. An amount of USD 75 million was then withdrawn in September 2011 to fund a partial reimbursement of the Shareholder Loan granted by the Company. In mid-September, the parties to the amended Bridge Loan commenced negotiations to incorporate Tranche A into Tranche B and to submit Tranche A to the same terms and conditions as Tranche B, including those pertaining to reimbursement and maturity. Skye Bank Plc has already agreed that USD 50 million of the sums it loaned in Tranche A may be made subject to the terms and conditions applicable to Tranche B. Negotiations are underway with African Export-Import Bank to have the balance of Tranche A (i.e., USD 150 million) added to the amount for Tranche B, so that the current Tranche B amount of USD 400 million (of which USD 125 million have been drawn down as at the date of this prospectus) would be increased to USD 550 million. As at the date of this prospectus, USD 275 million have been drawn down under the Bridge Loan, of which US 150 million in Tranche A and USD 125 million in Tranche B.

The Bridge Loan was arranged by African Export-Import Bank (the "**Arranger**"), which is also the agent of the Bridge Loan (the "**Agent**").

The main stipulations of the Bridge Loan (as modified) are set out below.

### **Financial terms of the Bridge Loan**

#### *Drawdown terms for amounts over USD 275 million*

The Bridge Loan provides that should draw downs under the Bridge Loan exceed USD 275 million, such amounts are to be paid into an escrow account opened with the African Export-Import Bank.

Amounts recorded on the credit balance of this escrow account will be made available to Seplat subject to the Agent's confirmation that:

- (i) A syndicated loan of approximately USD 775 million has been agreed between Seplat and African Export-Import Bank (the "Syndicated Loan") and the conditions precedent related to the drawdown of funds under said assistance have been lifted;
- (ii) These amounts are necessary to reimburse Tranche A;
- (iii) In the event the drawdown amounts exceeding USD 275 million are intended for the acquisition of new assets, (a) that the security interests that must be granted to the Lenders

have been established and (b) that the Agent has received the report prepared by Gaffney Cline & Associates regarding the assets held by Seplat and provided that the amounts to be withdrawn are not more than the Borrowing Base Amount;

- (iv) In the event the Syndicated Loan is not concluded as at the final maturity date for Tranche A (30 September 2011), any advance made available under Tranche B and recorded as a credit balance in the escrow account can only be made available to Seplat provided the condition set out in subparagraph (ii) or (iii) has been satisfied;
- (v) Any loan made available to Seplat under Tranche A and recorded in the escrow account as at the final maturity date for Tranche A (i.e. 30 September 2011) will be assigned in repayment of the amounts owed under Tranche A as at that date.

#### Interest rates

The annual interest rate applicable to each interest period shall correspond to the sum of:

- (i) the applicable margin (which margin varies between 5% and 7.5% according to the lenders),
- (ii) the applicable LIBOR, and
- (iii) where applicable, the applicable mandatory costs, it being understood with respect to advances provided by United Bank Plc and First Bank of Nigeria Plc, that the total maximum of 10% interest stipulated in the Bridge Loan does not apply to said banks.

The applicable interest rate that should have been paid is increased by 2% in the event of late payment.

#### **Repayment**

Amounts drawn down under Tranche A were repayable in full as at 30 September 2011 pursuant to the signature of the amendment dated 29 July 2011. In mid-September, the parties to the Bridge Loan, as amended, entered negotiations to incorporate the Tranche A amount into the Tranche B amount and make it subject to the same terms including as regards repayment and maturity dates. Skye Bank Plc has already agreed to this in respect of USD 50 million.

Tranche B is reimbursable 5 years as from the signature date of the Bridge Loan, in other words by no later than 22 July 2016.

#### **Mandatory early repayment of the Bridge Loan**

The Bridge Loan contains clauses on complete or partial early repayment, in particular:

- if Seplat undergoes a change of control;
- if it becomes unlawful for a lender to perform any obligation under the Bridge Loan;
- if an insurance benefit is paid;
- if assets are transferred;
- if the Syndicated Loan is used.

#### **Voluntary early repayment**

The amounts loaned under the Bridge Loan may be voluntarily repaid in advance of term at Seplat's initiative, subject to repayment of a minimum of USD 5 million and prior notice of 10 business days.

### **Default events and early reimbursement**

The Bridge Loan provides for the various default events customary for this type of financing, the occurrence of which – after a certain interval in some cases – enables Lenders to demand early reimbursement of the Bridge Loan or implementation of security interests.

Default events include, without limitation:

- Any payment default under the Bridge Loan on the agreed date, at the agreed place, in the agreed currency;
- Any failure to meet any commitment stipulated in the Bridge Loan or related document and in particular the failure to observe a debt to equity ratio equal to or less than 3 to 1;
- Any significant and inaccurate or misleading representation by Seplat in the Bridge Loan or any related document;
- The occurrence of a cross default under any other of Seplat's financial debts where the total amount of the debt in question is greater than USD 5 million (or equivalent sum in another currency);
- Seplat becomes insolvent or is placed under administration;
- Any expropriation, seizure, placement in escrow, or any other enforcement measure implemented in respect of one or more Seplat assets; and
- The occurrence of any event or change of circumstances pursuant to which the majority lender or lenders reasonably deem may have a significant adverse effect.

### **Replacement of a lender or repayment and release from commitment**

In certain cases and under certain conditions, Seplat may request the replacement of a lender, or the early repayment of amounts due to one of the lenders and thus release from Seplat's commitment to said lender under the Bridge Loan.

### **Seplat's undertakings**

Seplat has made a commitment under the Bridge Loan to open specific bank accounts and to comply with the constraints on the use of such accounts.

### **Obligation to hedge the risk of a drop in the market price of crude oil**

If the majority lenders deem there is a risk that the market price for crude oil will drop below USD 60 per barrel during the term of the Bridge Loan, Seplat will be obliged to conclude a hedging agreement to cover part of its risk from such price drop (see section 4.5.1 of this prospectus).

### **Assignment of the Bridge Loan by Seplat**

Seplat may not assign or transfer its rights or obligations under the financing documents either in part or in whole.

### **Security interests**

Seplat has undertaken to establish the following security interests if advances are made available to Seplat for an amount greater than USD 275 million:

- Charge over Seplat securities held by Shebah;

- Charge over Seplat securities held by Platform;
- Charge over Seplat securities held by the Company;
- Pledge of equipment on the land where the oil rights are being exploited; and
- If relevant, a personal guarantee from the Seplat chairman, Mr A.B.C. Orjiako.

A charge over Seplat shares held by the Company, Shebah and Platform was established in favour of the lending banks in August 2011.

### **Account operation**

If the conditions for opening the "transaction accounts" have been satisfied in accordance with article 12.1 of the Bridge Loan (and specifically, prior to any withdrawal under Tranche B), Seplat must open:

- An operating account in its own name with United Bank for Africa Plc;
- A collection account in its own name with First Bank Nigeria Plc; and
- A contingent payment reserve account in its own name with Skye Bank Plc.

Seplat is not authorised, under existing documentation, to open bank accounts other than those listed above.

### Collection account

Seplat has undertaken to open a collection account into which all income generated through OMLs 4, 38, and 41, including the income owed to Seplat under OMLs 4, 38, and 41, will be paid. This account is debited to credit the operating and contingent payment reserve account and, subject to the available amounts, to service debt and Seplat's other operational expenses in the order of priority stipulated in article 12.2 of the Bridge Loan (taxes, operating expenses, Bridge Loan interest, Bridge Loan principal, deposits into contingent payment reserve account and other authorised expenses).

In this respect, Shebah, Platform and the Company note that the Bridge Loan repayment priority rules do not allow Seplat to implement the reimbursement method for loans used to acquire the 45% of OMLs 4, 38 and 41 and more specifically of the Shareholders Loan, under the conditions set out in the Shareholders Loan (see section 6.3.5.2 of this prospectus).

### Contingency payment reserve account

Seplat must have deposited funds of USD 33 million into this account, through transfers from the aforementioned collection account, by no later than 31 August 2012.

If Seplat receives notice that a lasting early repayment event has occurred, then as from the date of receipt Seplat is no longer entitled to debit any recorded amounts from any of the aforementioned accounts (including for operational costs and in particular for royalties).

Under 12.4 (a) of the Bridge Loan, Seplat undertakes to use these accounts in accordance with the terms thereof. However it should be noted that the Bridge Loan does not set out rules for using the operating account. Article 12.2 describes the transactions credited to the operating account from the collection account. Consequently, the fact that there is no description of transactions debited from the operational account generates some uncertainty about what payments are allowed as Seplat operational expenses.

(b) Shareholder loan

The Company granted a shareholder loan to Seplat for USD 153 million on 25 June 2010 (the "**Shareholder Loan**"), representing 45% of the acquisition costs of OMLs 4, 38 and 41, corresponding to the Company's 45% stake in Seplat. Following an initial payment of approximately USD 31 million, made at the end of March 2011, and a second payment of USD 75 million in September 2011, the balance still to be repaid by Seplat on the Shareholder Loan amounts to approximately USD 47 million as of the date of this prospectus.

The Shareholder Loan, governed by English law, bears interest at an annual rate equal to the three-month Libor plus 5%. The interest is calculated and paid every month. However, the Shareholder Loan provides that if the Company cannot obtain a financing cost that is lower or equal to the three-month Libor rate plus 5%, the interest rate of the Shareholder Loan will be equal to the financing cost obtained by the Company, i.e., at present 7.125%.

The Shareholder Loan provides that each month Seplat must set aside 45% of 80% of the cash flow derived from the hydrocarbon revenues generated by OMLs 4, 38 and 41, after payment of royalties, taxes and investment and operating expenses, for the repayment of principal and interest.

However, the Company notes that, in practice, the available cash flow is directed as a priority to reimbursing the Bridge Loan (as amended) rather than the Shareholder Loan, to avoid breaching the reimbursement obligations of the Bridge Loan.

The Shareholder Loan becomes payable if certain events of default as defined by the agreement concluded on 25 June 2010 occur, i.e., non-payment of sums due under the Shareholder Loan (with exceptions), non-performance by Seplat or any other party (other than the Company) of the terms of the Shareholders' Agreement and commencement of insolvency proceedings against Seplat.

The Shareholder Loan terminates when Seplat fully repays all principal and interest owed to the Company under the loan agreement.

For the granting of the Shareholder Loan, a shareholder loan in the amount of approximately USD 200 million, at 7.125% interest and subject to French law, was entered into on 26 July 2010 between Maurel & Prom and the Company, taking effect on 1 January 2010. This loan was partly capitalised, in the amount of EUR 133,396,534.30, in the two capital increases of the Company on 15 November 2010 that were subscribed by Maurel & Prom.

*6.3.5.5 Commercial agreements*

(a) Crude handling agreement

On 30 July 2010, Seplat entered into a crude handling agreement with Shell Petroleum Development Company of Nigeria Limited (**SPDC**), acting as operator of the joint venture between SPDC, the Nigerian National Petroleum Corporation, Total (E&P) Nigeria Limited and Nigerian Agip Oil Company Limited; this crude handling agreement is subject to Nigerian law and covers the provision of services by SPDC to Seplat for a term of five years.

The agreement provides in particular that SPDC will provide the following services (i) crude handling for oil injected by Seplat and received at SPDC facilities up to the point of entry for the SPDC terminal in Forcados, (ii) handling and storage of oil received in the Forcados terminal and (iii) delivery of export-ready oil to the point of delivery for supply ships. SPDC also coordinates the tanker delivery programme from the Forcados terminal.

Under the agreement, Seplat can, at the point of entry of crude it has produced, inject crude produced by Pan Ocean Oil Company and/or Nigerian Petroleum Development Company, or a mix of the two.

Under this agreement, SPDC undertakes to manage a volume of the fluid (oil and water) injected by Seplat, which may not exceed 120% of the production capacity reserved for Seplat (52 Mbbbl/d), namely 62.4 Mbbbl/d, as far as Forcados, from where it will be exported once it has been processed. However, SPDC reserves the right to reduce this volume to 100% of the production capacity reserved for Seplat, namely 52 Mbbbl/d, by restricting the amount of mixed crude. This minimum capacity of 52 Mbbbl/d should allow Seplat to transport all of the hydrocarbons produced under OMLs 4, 38 and 41, on a 100% basis, until 31 December 2012 (the date on which Seplat's production objective based on well outflow should reach 50 Mbbbl/d for a contractual handling capacity of 52 Mbbbl/d, which may be extended to 62.4 Mbbbl/d).

The agreement also provides that beginning on 1 January 2013, Seplat may no longer inject wet crude (oil and water) into the pipeline but only dry crude containing less than 0.5% water; the water and oil will be separated to obtain dry crude at a water treatment station due to be installed in 2013. The risks of non-compliance with the specifications under the crude handling agreement are described in section 4.2.4 of this prospectus. Under the crude handling agreement, Seplat also benefits from a storage capacity corresponding to the higher of the following two volumes: 10 days of reserved production capacity or 520,000 barrels. Upon request from Seplat, the reserved production capacity may be revised annually, subject to consent from SPDC.

The characteristics of the crude injected by Seplat at the point of entry must comply with those provided in the agreement and additives used by Seplat, if any, must first be approved by SPDC. Seplat is responsible for the facility, maintenance and operation of measuring systems at the point of entry and of the sampling devices.

In exchange for the services provided by SPDC, Seplat undertakes to pay, for each barrel, (i) fees for the use of the SPDC terminal, (ii) fees for the use of the oil pipeline from Rapele to Forcados, and (iii) the production expenses for the use of the SPDC terminal and the pipeline, which are revised annually on the basis of the change in the consumer price index published by the US Bureau of Labour Statistics. Eighty percent of these charges are paid by Seplat in US dollars, and 20% in Nigerian nairas.

The crude handling agreement also provides that SPDC may, under certain circumstances, modify the quantities of oil injected, particularly in the event of an environmental problem, a problem affecting the functioning of its facilities, an emergency threatening the safety of persons or property, or a payment default by Seplat for the transport services, or the occurrence of a *force majeure* event.

Seplat is liable in particular with respect to SPDC for any loss of crude other than the crude oil produced by Seplat, for costs related to pollution monitoring and control, and for damage to SPDC property, on condition that such damage arises from serious misconduct or gross negligence on the part of Seplat, its employees, representatives, or co-contracting parties. Seplat is also liable for any loss suffered during the loading of a tanker, unless such loss arises directly or indirectly from serious misconduct or gross negligence on the part of SPDC, its employees, representatives, or co-contracting parties.

Under the crude handling agreement, each party may assign the agreement to one of its affiliates, provided it first notifies the other party of such assignment. SPDC also has the right to assign all or part of its obligations to any entity to which it has transferred its OMLs or its interest in the joint venture or in the facilities, or to any party designated as operator of the joint venture.

Seplat can also decide to terminate the crude handling agreement in advance of its term, subject to providing the required prior notice of no less than three years. The parties may also cancel the agreement (i) by mutual consent due to a *force majeure* event (including the expiry or non-renewal

of permits for oil pipelines or other licenses or authorisations required for the performance of the crude handling agreement) or (ii) at the initiative of one of the parties to the agreement, subject to providing prior notice of six months, in the event of a breach by the other party of its obligations under the agreement that is not remedied within three months of such breach and that has a significant and detrimental effect on the non-defaulting party. The agreement does not provide for a tacit renewal of the agreement. The term of the crude handling agreement may, however, be renewed upon the agreement of the parties under the conditions detailed hereafter.

The crude handling agreement is governed and construed in accordance with the laws of the Federal Republic of Nigeria. Any dispute between the parties concerning the interpretation or performance of the agreement is submitted for arbitration under the laws of the Federal Republic of Nigeria.

The parties may also decide to renew or extend the term of the crude handling agreement. Where such decision originates with Seplat, it must send SPDC a written request at least 12 months prior to expiry of the agreement. Receipt of the written request marks the beginning of negotiations over the terms and conditions of the renewal or extension of the agreement. If the parties do not manage to reach an agreement before the term initially provided in the contract, the contract terms and conditions continue to apply for an additional 12 months after the scheduled end of the agreement. During this additional period the parties will attempt to resolve their differences, failing which the parties will be discharged of their contractual obligations at the end of this additional period of 12 months.

(b) Crude oil purchase agreement

On 2 February 2010, Seplat entered into a contract governed by English law with Shell Western Supply and Trading Limited for the sale of crude oil, under the terms of which Seplat undertook to sell crude to Shell Western Supply and Trading Limited, which undertook to purchase all of the crude oil production of "export" quality deriving from OMLs 4, 38 and 41 available for loading at the Forcados terminal, on a free-on-board basis as defined by Incoterms 2000.

Under the crude oil purchase agreement, Seplat provides, four times per year, its forecasts for the maximum number of barrels produced per day and per month.

The sale price per barrel is calculated on the basis of a formula that takes into account the current average Brent prices and an adjustment factor or differential established by the official selling price for Forcados crude oil as published monthly by the Nigerian National Petroleum Corporation. However, for each shipment and under certain conditions, particularly within the limits of a volume of no more than 90% of the total shipping volume, the parties may agree on a fixed sale price. The crude oil purchase agreement provides that, if Seplat does not make payment on the price adjustment that may be due under the Agreement for Assignment (see section 6.3.5.1 of this prospectus), Shell Western Supply and Trading Limited must directly pay SPDC 70% of the sums due to Seplat under the crude oil purchase agreement up to the limit of the price adjustment.

The change of ownership and transfer of risks in connection with the oil sold under the agreement takes place at the moment when the oil has passed over the ship's rail.

The agreement was entered into for an initial term of 5 years and is automatically renewable on the expiry date for periods of 12 months. It may be cancelled by either party provided prior notice is given three months before the end of each 12-month period. Furthermore, the crude oil purchase agreement may be cancelled by either party if insolvency proceedings are commenced against the other party, if a liquidator or administrator is appointed by the courts, or if the party becomes technically insolvent or violates the ethics rules established by either party. In the event the financial position of Shell Western Supply and Trading Limited deteriorates, Seplat may request that the purchaser make payment on account or provide it with guarantees. If the purchaser cannot satisfy these demands, Seplat may terminate the agreement under the conditions set out in the

agreement. Lastly, where there are changes to applicable regulations that significantly change the structure of the agreement to Seplat's detriment, Seplat may ask to renegotiate prices and certain contract provisions. If the parties are unable to come to an agreement, Seplat may terminate the agreement.

The purchase agreement is governed by and to be construed in accordance with English law. Any disputes between the parties regarding the interpretation or performance of the agreement must be submitted for arbitration in accordance with the Arbitration Act 1996.

#### *6.3.5.6 Domestic Supply Obligation*

In 2008, the Nigerian government imposed an obligation on all operators of the gas and oil sector in Nigeria to set aside part of their production and gas reserves to supply gas to the local market. The sale of the 45% interest in OMLs 4, 38 and 41 by SPDC to Seplat resulted in the assignment to Seplat of an obligation to supply gas amounting to approximately 100 MMcf/d to the Nigerian Gas Company Limited.

Under the Nigerian Gas Master Plan, gas supply contracts must gradually migrate towards the standard of the Gas Sales and Aggregation Agreements signed between gas producers, on the one hand, and consumers or directly with the Gas Aggregation Company of Nigeria, on the other. The latter must coordinate the balancing of supply and demand and provides a framework for prices at national level. In all cases, the producers must receive the revenues from domestic sales of their gas through the Gas Aggregation Company of Nigeria at a uniform price, changes to which are controlled.

In order to stimulate sales of domestic gas, the change in gas price envisaged under the Nigerian Gas Master Plan is gradual and better aligned to market prices and, as we understand it, based on a weighting of three segments of the domestic market.

#### *6.3.5.7 Memorandum of agreement with local communities in OML 4 (Edo State) and OMLs 38 & 41 (Delta State)*

Seplat's relationships with four local communities in the Delta and Edo states located in OMLs 4, 38 and 41 (the communities of Sapele-Okpe, Amukpe, Oben and Ugburhen – the "**Community**") are governed by a memorandum of agreement under Nigerian law entered into on 1 January 2011 for a term of five years.

This MOU is to promote cordial relations between Seplat and the Community based on securing mutual benefits from achieving certain objectives, and specifically from the promotion of sustainable development, peaceful coexistence, and security.

Under the MOU, the Community undertook to encourage a peaceful environment enabling Seplat, its employees, subcontractors and agents to work and have access to Seplat facilities without disturbance, interruption, threat, violence, and the invasions of fields, activities or facilities.

In consideration, Seplat made various financial and non-financial commitments under the MOU.

#### **Seplat's main financial commitments**

Seplat's main financial commitments are to finance various projects for the benefit of the Community through a trust. This financing is ensured through an allocation of NGN 250 million (i.e., slightly more than EUR 1 million) per year (the "**Allocation**"), which amount may be increased if Seplat's production of hydrocarbons increases during the term of the MOU.

In addition, if there is no disturbance, interruption, threat, violence or invasion for a period of one year within the territory of the communities of the Community, Seplat has undertaken to pay it an

additional amount equal to 5% of the amounts already payable for the year in question. Conversely, if any of the communities that are part of the Community causes an interruption of Seplat's activities of 3 days or more over the course of the year, that community will suffer a 5% deduction from the amount owed for the following period.

#### **Other commitments**

Seplat made a commitment that its projects and activities would respect the environment and be submitted for assessments of their impact on the environment, inhabitants, and health, and that any incident with an environmental impact would be handled in accordance with the environmental regulations applying to the oil sector.

Seplat also made a commitment to encourage the recruitment of local qualified and unqualified workers and to inform the Community of positions to be filled.

Lastly, a Community Development Committee consisting of 7 members of each of the four communities of the Community and two Seplat representatives acts as a liaison between Seplat and the Community.

#### **6.4 Legislative and regulatory environment in Nigeria**

The oil and gas sector in Nigeria is subject to a large number of laws and regulations which have a major impact on the exploration, development, production and marketing activities in the oil and gas industry and could potentially increase the costs connected with these activities and thus have an adverse effect on the profitability of Seplat.

Some of the legislation and regulations applicable to the oil and gas industry in Nigeria provide for heavy penalties in the event of an infringement of these rules. While Seplat cannot guarantee that it will not incur fines or penalties, it believes that it is adhering to all of the laws and government regulations that apply to its activities and that it possesses all of the permits and licenses necessary to conduct its business.

However, aside from frequent amendments to such laws and regulations, the enactment of new laws affecting the oil and gas industry is common and Seplat is therefore unable to foresee the future cost or the financial consequences relating to compliance with these rules. Seplat's activities should not be more seriously affected by such laws than any other company of similar size established in Nigeria and operating in the oil and gas industry.

A summary of the main legal and regulatory regimes to which Seplat is subject in Nigeria is given below.

##### **6.4.1 Nigeria's OPEC quota**

Nigeria is an OPEC member and is thus subject to the rules and quotas issued by that organisation on oil production control. The application of such rules could potentially cause fluctuations in Seplat's production levels.

##### **6.4.2 Government regulations**

By virtue of the provisions of the Nigerian Constitution and the Petroleum Act (the Nigerian law on oil), oil is owned by the Nigerian government for and on behalf of the Nigerian people. As a result, the search for and production of natural gas and crude oil are regulated by the Nigerian government. Furthermore, all of the countries in which oil and gas activities are carried out have laws on environmental standards and laws governing the ownership and use of land which could restrict or prohibit the storage and transportation of oil and natural gas in certain regions.

In addition, Nigeria has specific laws and regulations that directly or indirectly govern the oil and gas industry in the country, particularly the Petroleum Act, which relates to operational aspects, the Production Sharing Contracts Act, which governs the operational structure of these contracts, the Deep Offshore and Inland Basin Production Sharing Contract Act, the law applicable to the taxation of oil revenues/income (the Petroleum Profits Tax Act) and the Companies Income Tax Act, on fiscal aspects. Certain laws and regulations applicable to the oil and gas industry provide significant penalties for violations of the above-mentioned legal provisions. While Seplat cannot guarantee that it will not incur fines or penalties for administrative violations, Seplat currently believes that it is in compliance with the applicable rules.

Recent laws relating to the oil and gas industry in Nigeria have reinforced domestic requirements in this area. The Nigerian Oil and Gas Industry Content Development Act of 2010 (the "**Local Content Act**"), enacted on 22 April 2010, provides for an increase in the holdings of Nigerian companies in all sectors of the oil and gas industry, including upstream services and support services for the Nigerian energy industry.

The Local Content Act also confers exclusivity on Nigerian service companies that demonstrate an ability to operate both onshore and in wetland areas. It also provides that any project and contract with a budget of over USD 100 million must contain a specific labour clause requiring a minimum percentage of Nigerian employees; furthermore, the operator or developer of the project must limit the number of expatriates in management positions (the current limit is a maximum of 5%). The Local Content Act also imposes certain restrictions on the procurement of risk insurance outside Nigeria without written consent from the Nigerian National Insurance Commission.

The Local Content Act provides that oil and gas industry operators must keep at least 10% of operating revenues earned in Nigeria in a bank account in Nigeria. Although the Local Content Act does not specify what these funds should be used for, it seems in practice that they may be used to pay local operating expenses, such as taxes or royalties. Any infringement of the provisions of this law could constitute a violation punishable by a fine of 5% of the amount of the project, for each project, or lead to the cancellation of the project in which the violation is committed.

Other proposed laws, such as the Petroleum Industry Bill (see section 4.3.2.1 of this prospectus) and the Gas Flaring Bill, are currently under discussion in the Parliament and will probably have an impact on oil and gas activities in Nigeria. Seplat is not able to foresee the future cost or the consequences of compliance with these new laws, should they be adopted. However, Seplat considers that it should not be significantly affected by such laws in comparison with other oil and gas exploration or production companies of similar size operating in Nigeria.

#### 6.4.3 Regulations on oil production and exploration

The Petroleum Act is the main law applicable to the exploitation of oil in Nigeria. The Petroleum Resources Ministry acts for and on behalf of the Nigerian government and has broad powers including, in particular, the authority to grant Oil Prospecting Licenses ("**OPLs**") which give their holders the exclusive right to explore and prospect to find oil within a defined area and to grant petroleum deposit operating contracts which give their holders the right to exploit and sell crude oil (Oil Mining Licenses – "**OMLs**"). The Minister's consent is required in order to assign rights deriving from OPLs and OMLs; he also has the authority to issue rules supplementing the Petroleum Act. The Minister oversees the industry through the Department of Petroleum Resources, which is managed by a director and is also part of the Ministry of Petroleum Resources.

In recent years, most of the concessions granted by the Nigerian government have taken the form of production sharing contracts and marginal fields agreements.

Production sharing contracts are contracts or concessions whereby the NNPC holds only the OPLs and OMLs and enters into a contract with an exploration and production company under which the

latter assumes the risk of exploration on behalf of the NNPC in exchange for rights to a portion of the production. These rights are designed to cover 100% of the production costs of the production and exploration company and provide for the allocation of the profits derived from the products on the following basis: 80% to the production and exploration company and 20% to the national oil company. The contractual portion of the production sharing contract is generally equivalent to an OPL/OML, and the exploration and production company holds the exclusive right to work on the zone concerned. A production sharing contract generally has a term of 30 years, including a 10-year exploration period and a 20-year production period.

Marginal fields are smaller concessions that generally offer low yields, covered by an OML that has not been operated by the original permit holder for a period of not less than 10 years. The policy on marginal fields has been the result of the Nigerian government's decision on indigenisation, which seeks to encourage Nigerian companies to participate in searching for and producing oil and gas. The marginal fields system also seeks to limit the rate of abandonment of fields with low production potential, which, although not of commercial interest for the big oil and gas producers, represent assets of interest to smaller Nigerian companies. Within the context of this policy, the Nigerian government has sold marginal fields at auction to minor players in the oil and gas industry. The owners of marginal fields can operate the fields on their own account by paying the taxes and royalties involved and dealing directly with government authorities. As soon as the concession is granted, an owner of a marginal field enters into a subcontracting agreement with the holder of the OML or OPL, which may be a multinational oil company and/or the NNPC. Under these contracts, access to the existing infrastructure at the field may be permitted and the owner of the marginal field may need to pay a "signature bonus" to the initial OML holder.

"Nigerian companies" thus hold a 100% interest in the marginal fields attributed to them. However, owing to financial and technical constraints, most "Nigerian companies", because they have been recently created or too minor in the upstream industry, generally seek out partnerships with foreign companies that assist them to operate the marginal fields. In this case, the foreign exploration and production companies generally take an interest in the marginal fields, which could be as much as 40%, and assume the role of technical advisors. As such, they are responsible for financing the exploration and production activities, training and passing on their technical know-how in upstream operations to the management and staff of the "Nigerian companies".

Marginal fields are generally granted for an initial period of 60 months. If production targets are not met during this period, the Nigerian government withdraws the field from its holder and the subcontract lapses. However, if production targets are met during this 60-month period, the subcontract is renewed for the lifetime of the field and remains in force even in the event of expiry, withdrawal or abandonment/surrender of the OML. If insolvency proceedings are brought against the holder of a marginal field, the field reverts to the group of marginal fields held by the OML holder. The Nigerian government will then allocate the field to another "Nigerian company". In so far as deposits that have not been exploited for more than 10 years after their discovery may be found in any of the zones covered by Seplat's OMLs, there is a risk that such a zone could be characterised as marginal and its transfer to a third party envisioned.

In this regard, the Umutu and Asuokpu fields inside OML 38 were allotted to Platform Petroleum and Newcross Petroleum as part of the 2003 plan.

In a letter dated 23 April 2009 sent to SPDC, the Department of Petroleum Resources found five fields inside OMLs 38 and 41 to be marginal fields. These fields are Mosogar, Omoja and Orogho in OML 38 and Okoporo and Ubaleme in OML 41. The Company and its Partners believe that the field classification procedure mentioned above will no longer apply since it took over the exploitation of OMLs 4, 38 and 41 in so far as Seplat is a Nigerian company.

None of the fields in OML 4 have been proposed as marginal by the Department of Petroleum Resources.

Seplat is subject to the rules of the Petroleum Act, including the Petroleum (Drilling and Production) Regulations, which govern the operational aspects of drilling for and producing crude oil. The Petroleum (Drilling and Production) Regulations establish the fees, rents and royalties to be paid by the holder of operating licenses or leases subject to the Petroleum Act. The royalties vary depending on the location of the concession: from 0% for deep offshore concessions to as much as 20% for onshore concessions. Furthermore, the holders of licenses or leases must obtain permits and licenses prior to undertaking most activities downstream of the petroleum operations covered by the OPL or OML involved; they are also bound by reporting/notification obligations. There are also Crude Oil (Transport and Shipment) Regulations that govern the transport and delivery of crude oil after extraction.

#### 6.4.4 Regulations relating to the gas sector

The definition of petroleum given in the Petroleum Act includes natural gas. In general, the provisions of the Petroleum Act relating to crude oil exploration and production thus apply to natural gas exploration and production as well. However, since its entry into force, the Petroleum Act has only been applied to crude oil exploration and production. Prior to the advent of the Gas Master Plan in 2008, Nigerian regulations on natural gas exploration and production were limited and imprecise. Paragraph 35 of the first appendix to the Petroleum Act provides, in particular, that Nigeria's Petroleum Minister may impose specific measures on license or lease holders when natural gas is discovered in a zone under concession or lease, including, in particular, (i) the Nigerian government's right to dispose of the natural gas produced with crude oil without charge or at a price negotiated between the parties without the payment of royalties and (ii) the obligation of the license or lease holder to obtain the Nigerian government's agreement as to the price at which the gas for which the Nigerian government has not exercised the right mentioned in (i) may be sold.

##### 6.4.4.1 *Associated Gas Re-Injection Act*

The Associated Gas Re-Injection Act was enacted to limit gas flaring in Nigeria. The Act prohibits the flaring of gas produced with oil without an authorisation granted by the Petroleum Minister. Under the Associated Gas Re-Injection Act, the Petroleum Minister may authorise gas flaring if certain that the use or re-injection of the gas produced was not appropriate or feasible on the land concerned. Such permission, however, is subject to terms and conditions which may be imposed at the discretion of the Petroleum Minister, including the payment of royalties determined by the Petroleum Minister. However, it should be noted that, in practice, the Minister has not granted any authorisation for the flaring of gas produced with oil since 2006.

Any violation of the provisions of the Associated Gas Re-Injection Act is penalised by a withdrawal of the license or concession granted over the field or fields where the violation was committed. As of the date of this prospectus, no penalties had been ordered since the Associated Gas Re-Injection Act came into force.

##### 6.4.4.2 *National regulations on domestic gas pricing and supply*

In February 2008, as part of the Gas Master Plan, the National Domestic Gas Supply and Pricing Regulations were issued by the Petroleum Minister. In order to facilitate the implementation of domestic pricing, said Regulations oblige oil and gas exploration and production companies to supply gas to Nigeria, and require that such companies submit gas production and supply plans in line with their obligations. Thus, all gas exploration and production companies (whether or not associated) must reserve a portion of the reserves and their production for supplying the domestic market. The Petroleum Minister must regularly determine the obligations borne by the various participants.

The National Domestic Gas Supply and Pricing Regulations also provide that an official will be put in charge of collecting the domestic gas and acting as an intermediary between gas suppliers and

buyers on the domestic market. This intermediary also makes sure that the strategic sectors are supplied with Nigerian gas at prices in line with the Gas Master Plan and National Domestic Gas Supply and Pricing Policy. Companies found to be in breach of their duty to provide domestic gas may be liable to a fine of USD 3.5 per thousand square feet of gas to be delivered, to restrictions on exports or both, at the discretion of the Energy Minister.

#### 6.4.5 Tax regulations

##### 6.4.5.1 Petroleum Profits Tax Act

The Petroleum Profits Tax Act provides that upstream operations are taxed by means of a base tax applicable to operations involving crude oil, which is set at 85% of taxable income, as well as additional royalties of 0 to 20%, depending on water depth. A lower tax rate of 65.75% is payable by companies that have not amortised or depreciated all of their pre-production investments in the first five years (Seplat uses this rate).

However, in practice, the Nigerian government has never applied these legal rates to operations carried out on marginal fields, which may benefit from a tax rate of 50-55% (see section 6.4.5.4 of this prospectus).

##### 6.4.5.2 Deep Offshore & Inland Basin Production Sharing Contract Act

The Deep Offshore & Inland Basin Production Sharing Contract Act was enacted after the Petroleum Profits Tax Act and applies to production sharing contracts for concessions located in deep waters and inland basins. The law has provided tax incentives favouring the exploration of areas that were underexploited at the time of its enactment. The main tax incentive consists of a reduced tax rate of 50% (as opposed to the 85% rate provided for in the Petroleum Profits Tax Act), reduced royalty rates (from 0% for waters deeper than 1,000 metres up to 12% for shallow waters, i.e. between 201 and 500 metres deep) and the introduction of a 50% tax credit on investments for production sharing contracts entered into before July 1998 or a 50% tax allowance on investments for production sharing contracts entered into after July 1998. The Deep Offshore & Inland Basin Production Sharing Contract Act is administered by the Federal Inland Revenue Service.

In addition to the taxing of oil-related income as provided for by the Petroleum Profits Tax Act or the Deep Offshore & Inland Basin Production Sharing Contract Act, the Niger Delta Development Commission Act requires that all gas treatment and oil production companies operating onshore and offshore in the Niger Delta pay the Commission a tax amounting to 3% of their total annual budget.

##### 6.4.5.3 *Incentive Schemes*

The Petroleum Profits Tax Act also created a certain number of incentive schemes designed to encourage the use of natural gas, which is often but not routinely sought by companies searching for crude oil. Such incentive provisions apply exclusively to crude oil producers that produce associated and non-associated gas.

To encourage gas production, the Nigerian government has implemented incentives in the Petroleum Profits Tax Act authorising companies that produce gas to be taxed at the company tax rate of 30% as set by the Companies Income Tax Act (rather than taxation at the 85% and 50% rates provided for by the Petroleum Profits Tax Act and the Deep Offshore & Inland Basin Production Sharing Contract Act). The Petroleum Profits Tax Act does not provide any definition for gas production but it does specifically provide that the incentives must be of benefit to companies that invest in facilities for the extraction of liquid natural gas to supply gas in forms that can be used for downstream projects (such as aluminium, foundries and methanol) and other gas production projects.

Under the Companies Income Tax Act, companies that produce gas may benefit from other incentive schemes such as, in particular, a tax holiday lasting a maximum of five years, loans under advantageous conditions or specific provisions related to registration of depreciations.

#### *6.4.5.4 Other tax regimes*

The incentive schemes introduced by the Nigerian authorities also apply to marginal fields. In fact, these fields are subject to more favourable tax rules (Production Sharing Contract Tax and Fiscal Regime), under which tax is paid at a rate of 50-55% depending on the agreement made between the owner of the marginal field and the Nigerian government. Operators of marginal fields must also pay the holder of the OML in which the marginal field is located royalties at a rate of 2.5% to 18.5%, depending on production volume, as compensation for the role played by the holder of the OML in the development of the concession (Marginal Field Operations (Fiscal Regime) Regulations).

#### *6.4.5.5 Taxation of dividends paid by Seplat to the Company*

Under Nigeria's tax regulations, dividends distributed by a Nigerian company to non-resident shareholders give rise to a withholding tax of 10%.

However, withholding is reduced to 7.5% when the non-resident shareholders are established in a State that has entered into an agreement with Nigeria to avoid double taxation. This is the case, for example, with France, which signed a tax agreement with Nigeria on 27 February 1990.

However, it should be noted that companies that come under the tax rules set out in the Petroleum Profits Tax Act and the Deep Offshore & Inland Basin Production Sharing Contract Act may be entirely exempt from withholding on dividends they pay their shareholders by virtue of the OMLs held and production sharing contracts entered into in Nigeria.

The dividends paid by Seplat to the Company may, as an option, be exempt from corporation tax (subject to the registration as income, by the beneficiary company, of a portion of the expenses and charges equal to 5% of the amount of the dividends) pursuant to French tax provisions (Articles 145 and 216 of the French Tax Code).

## **6.5 Nigerian environmental regulations**

Seplat's activities are subject to various environmental, health and safety regulations. These regulations govern the receipt, production, storage and handling of hazardous substances, including the manner in which such substances are released or emitted into the air or water and on land or underground. In certain cases, these laws and regulations require permits and authorisations to be obtained from various agencies prior to starting these activities or operating or modifying these facilities. Before the recent changes made in the oil and gas industry, operators were required to prepare an environmental impact assessment (which could impose various additional conditions and mitigating measures) prior to or in connection with obtaining the permits. With regard to the release of gas or hazardous substances into the environment, Seplat could be liable for clean-up costs under the applicable laws. In the event of a breach of the applicable laws, permits or regulations, (i) civil or criminal penalties may be applicable in certain cases as well as (ii) repair or clean-up obligations, which could delay the completion of the projects or their exploitation. In 2007, a law was passed creating the National Environmental Standards and Regulations Enforcement Agency, an authority in charge of compliance with Nigerian environmental regulations and responsible for issuing the various environmental standards.

### *6.5.1.1 Environmental Impact Assessment Act*

Nigeria's law on environmental impact assessments, the Environmental Impact Assessment Act, requires any company whose activities or projects may have a significant impact on the environment to carry out a study in order to assess that the environmental consequences. The study

must be sent for approval to the Nigerian Environment Minister, in charge of administering environmental impact assessments. In any event, the Environmental Impact Assessment Act classifies the development and construction of offshore gas and oil pipelines of more than 50 km in length as projects which require an environmental impact assessment to be carried out.

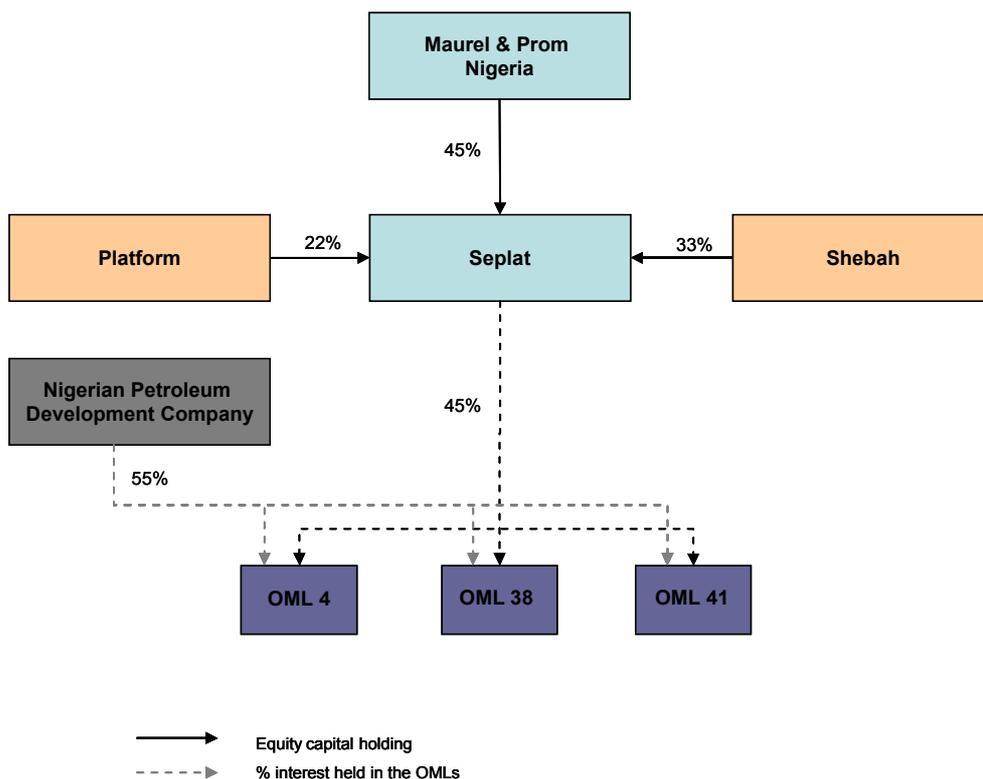
#### *6.5.1.2 Environmental procedures and standards for the petroleum industry in Nigeria*

The environmental standards and directives applicable to the petroleum industry (the "**Directives**") have been issued by the Department of Petroleum Resources, which is the main regulatory agency for the petroleum industry in Nigeria. The Directives require all holders of licenses or operators in the petroleum industry to systematically adopt a consolidated management plan for environmental risks. They impose standards for air quality and limit the quantity of industrial waste connected with oil drilling activities so as to ensure that such emissions do not cause health risks for humans and other living organisms. The Directives require that mandatory environmental permits be obtained from the Department of Petroleum Resources prior to the start-up of any seismic operations or drilling in Nigeria. Any application for an environmental permit must be accompanied by an environmental impact assessment. Seplat believes that it is currently in compliance with these rules and therefore that it should not have to pay fines or penalties in this regard.

## 7. ORGANISATIONAL CHART

### 7.1 Organisational chart of the Company and Seplat

As at the date of this prospectus, the Company holds 45% of Seplat alongside its two Partners, Shebah and Platform:



### 7.2 Relationship with subsidiaries

On 31 July 2010, Seplat and Maurel & Prom entered into a technical services agreement governed by English law. The Company then assumed the rights and obligations of Maurel & Prom by way of an addendum dated 26 September 2011, under the terms of which the Company agreed to provide services enabling Seplat to fulfil its obligations as operator under the joint operating agreement. This service agreement is described in section 19.2.1 of this prospectus.

At Seplat's request, the Company is preparing and will send Seplat progress reports on the services to be provided, in addition to any other relevant information, to allow Seplat to fulfil its obligations under the joint operating agreement.

The services required under this agreement will initially be subcontracted by the Company to Maurel & Prom under a transitional services agreement concluded on 2 November 2011 for an initial period of 12 months, renewable once (see section 19.1.1 of this prospectus).

In addition, the Company has granted a shareholder loan to Seplat, as described in section 6.3.5.4(b) of this prospectus.

## 8. PROPERTY, PLANT AND EQUIPMENT

### 8.1 Property and equipment

Property and equipment for the financial statements as at 31 December 2010 are as follows:

<b>Assets owned by Seplat and NPDC on a 100% basis</b>				
<i>In millions of USD</i>	<b>OML 4</b>	<b>OML 38</b>	<b>OML 41</b>	<b>TOTAL</b>
Production centre	45.8	36.8	44.1	<b>126.7</b>
Barge	-	-	119.9	<b>119.9</b>
Gasworks	77.7	-	69.0	<b>146.7</b>
Connection facilities	-	4.2	35.3	<b>39.5</b>
Routing facilities	33.2	0.4	19.5	<b>53.1</b>
Other	0.1	0.1	0.1	<b>0.4</b>
<b>TOTAL</b>	<b>156.8</b>	<b>41.5</b>	<b>288.0</b>	<b>486.3</b>
<b>Company share:<sup>8</sup></b>				
<i>In millions of EUR</i>	<b>OML 4</b>	<b>OML 38</b>	<b>OML 41</b>	<b>TOTAL</b>
IT production centre	6.9	5.6	6.7	<b>19.2</b>
Barge	-	-	18.2	<b>18.2</b>
Gasworks	11.8	-	10.5	<b>22.2</b>
Connection facilities	-	0.6	5.4	<b>6.0</b>
Routing facilities	5.0	0.1	3.0	<b>8.0</b>
Other	0.0	0.0	0.0	<b>0.1</b>
	<b>23.8</b>	<b>6.3</b>	<b>43.7</b>	<b>73.7</b>
Post-acquisition investments				<b>2.6</b>
Amortisations for depletion				<b>(4.0)</b>
<b>TOTAL</b>				<b>72.3</b>

<sup>8</sup> The Company holds 45% of the share capital and voting rights of Seplat, which gives it a 20.25% indirect interest in the assets pertaining to OMLs 4, 38 and 41 owned on a 100% basis by Seplat and NPDC.

## **8.2 Environmental constraints that could influence Seplat's use of its fixed assets**

### **8.2.1 Description of environmental policy**

The Company's Nigerian business, through its investment in Seplat, could have some consequences on the local area and the country's natural resources, which must be measured, controlled and minimised. Furthermore, any potential environmental disturbance or damage could expose Seplat to various risks likely to generate additional costs and to undermine its image and reputation. The key measures established by Seplat to prevent environmental damage are described in this section, while the specific environmental risks are described in section 4.4 of this prospectus.

Seplat's environmental policy is aimed at, in particular, minimising the financial risks relating to environment. In addition, compliance with Nigerian law remains one of Seplat's constant objectives of Seplat and the latter is careful to ensure that all of its facilities comply with the regulatory requirements in respect of environment. Furthermore, Seplat has voluntarily pledged to tackle certain practices threatening environment, such as oil spills, by becoming a member of the Clean Nigeria Associates organisation.

Managing environmental risks is one of the main concerns of Seplat which has introduced environmental management systems and risk management plans. Staff training, particularly for manual workers, is a contributing factor to the operational control of such risks. Maintaining a good relationship with local communities is also a priority for Seplat. Accordingly, in order to strengthen its links with such communities, Seplat signed on 1 January 2011 a memorandum of understanding with communities in the exploitation zones of Amukpe, Oben, Sapele and Ugborhen. This agreement makes provision for formal cooperation with local communities and the implementation of joint development projects (see section 6.3.5.7 of this prospectus).

The information and data contained in the following subsections on Seplat's environmental policy are mainly taken from the environmental audit conducted by the company Environmental Resources Management in March 2011 (the final report of the company Environmental Resources Management is still in the course of being finalised on the date of this prospectus).

Seplat has also benefited from a certain number of environmental guarantees, valid until 30 July 2011, under the agreement assigning it a 45% interest in OMLs 4, 38 and 41, notwithstanding the fact that, under this agreement, Seplat bears all general responsibility for any environmental liabilities (including rehabilitation costs) arising before, on or after the effective date of the assignment, namely 30 July 2010. To the best of the Company's knowledge, no claims had been brought under these guarantees prior to 30 July 2011, which is their expiry date.

### **8.2.2 Environmental management programme**

Seplat operates its facilities according to the plans and procedures drawn up by the previous operator, Shell Petroleum Development Company of Nigeria Limited ("SPDC"). Seplat has also benefited from transitional technical support from SPDC and continues to receive advice from time to time, including for health, safety and environment ("HSE") matters. SPDC's HSE management plans and procedures have been ISO 14001 and ISO 18001 certified. The issues identified during the certification process were not significant and mainly concerned exploitation and operational controls. ISO 14001 and ISO 18001 certifications were granted until 2012.

Seplat has a structured organisation in place to manage HSE policy and its relationship with local communities:

- HSE policy is the responsibility of a general manager, who supervises all HSE functions. This manager is assisted by two coordinators, one based in Lagos and the other near the Sapele field site (off-site). In addition, five agents are in charge of HSE, two of whom are dedicated to environmental matters and are based near the field.
- Local community relationships are handled by a coordinator and a liaison officer in the field with two other agents who are responsible for site complaints and community development, respectively.

The security of the facilities is an important part of HSE policy. Regular checks are carried out at the facilities, covering a number of physical and chemical parameters. Visual inspections are also carried out on produced waste and discharge from the facilities. In addition to the establishment of regular air quality inspections, it has been recommended in the framework of the due diligence conducted by Environmental Resources Management that a procedure be implemented for resolving problems identified during inspections.

Seplat is currently working on adapting the HSE system inherited from SPDC to its own specific requirements and aims to obtain quality certification for all its sites and procedures under its responsibility (as was the case with the SPDC system) as soon as its own HSE system is operational. Seplat's HSE system should be operational by the end of 2011.

No significant issues were identified in the framework of the due diligence conducted by Environmental Resources Management in connection with Seplat's environmental management programme.

### 8.2.3 Health protection

#### 8.2.3.1 *Health and safety*

Ensuring the health and safety of employees is one of the priorities of Seplat, which has adopted the HSE management system of the previous operator, SPDC.

Accordingly, Seplat's employees receive training in the use of protective equipment, in addition to information on risks relating to exposure to dangerous substances and to operating oil equipment. Emergency plans have been set up. The sites are equipped with ambulances and a helicopter for emergency evacuations.

Seplat is currently working on adapting SPDC's HSE system to its own requirements. As part of this adaptation, Environmental Resources Management recommended, in particular and further to the audit it carried out in March 2001, that a risk prevention plan as part of the above adaptation and a plan for emergency situations should be implemented.

#### 8.2.3.2 *Measurement of air quality*

In view of the nature of its activities, Seplat's facilities and equipment produce atmospheric emissions (see section 4.4.2 of this prospectus on flaring at pumping stations). Seplat has rainwater analyses carried out in order to measure air quality. Each week, a third party collects samples, analyses them and produces a report on the results. These results are then sent to Nigeria's Department of Petroleum Resources (DPR) each month.

There are various laws and regulations that apply to the oil or industrial sector as a whole and that prohibit the release of certain substances into the atmosphere. The companies to which these laws and regulations are applicable have to comply with these rules. Additional local regulations may also apply, particularly in Delta State. At national and local level, public agencies are responsible

for taking measurements and carrying out inspections to ensure that regulations have been complied with and that no harmful substances have been released into the atmosphere. The due diligence conducted by Environmental Resources Management did not identify any major problems with air quality but it has however been recommended that Seplat introduce a direct air quality monitoring system to measure the various parameters and ensure continued compliance with applicable Nigerian regulations and international standards in the field. The cost of putting in place such monitoring system would not be material and would be included in Seplat's operational general budget.

#### *8.2.3.3 Water management*

Efficient water management helps to protect natural resources and the environment. Although it consumes little water, Seplat has implemented eco-friendly water treatment procedures. For operational purposes, Seplat uses water that comes directly from drilling. The drilling water is also used in residential areas after being filtered, although local inhabitants generally prefer to drink bottled water and to use drilling water only for general household purposes.

The sites also produce wastewater, which is mainly rainwater that has been contaminated through contact with hydrocarbons and equipment. The current wastewater drainage system does not separate oily (contaminated) rainwater from clean rainwater; the water is therefore collected by a rainwater drainage system and treated in saver pits, where the water can be separated from oil and solid residues. The purified water is then sent to offsite savers (in an abandoned quarry). The oil recovered via this system is added to the petroleum products. Furthermore, solid residues obtained from the system are periodically collected by lorry and taken to an approved facility, where they are destroyed.

#### *8.2.3.4 Waste management*

Although it generates little waste, Seplat has introduced a comprehensive waste management programme to deal with hazardous waste in particular (around 10 kg per month). The hazardous waste produced by Seplat includes used lubricant oils, empty oil and chemical drums, used oil filters, oily rags, batteries and contaminated soil.

The hazardous waste is treated by the waste treatment facility operated by Shell Petroleum Development Company in Warri. The other waste is periodically removed and stored at authorised sites, as Seplat does not have any storage site or incineration facilities. The due diligence conducted by Environmental Resources Management did not identify any specific important problems relating to Seplat's waste management procedures. It has however been recommended that Seplat establish an annual inspection programme for waste storage sites to ensure that these sites comply with Nigerian law.

### 8.2.4 Handling and storage

#### *8.2.4.1 Product storage*

Seplat does not store large quantities of products during the hydrocarbon extraction and treatment process since crude oil and extracted liquids are processed and then sent directly for export. Regular gas shipments are also made.

However, in order to prevent any hazards or pollution risk, Seplat does have its own temporary storage and treatment facilities. The treatment facilities, including pressurised containers (such as separators), were inspected in 2008 and certified until the end of 2011. The hangars in which chemicals are stored have been designed to withstand severe weather and access to them is limited.

The petrol storage tanks used by vehicles and power generators are in good condition and leak proof.

#### 8.2.4.2 *Pipelines*

Seplat's operations depend upon processing the extracted hydrocarbons and ensuring their transportation to treatment plants or terminals. The means of transport must be reliable, secure and in good operating condition.

In order to prevent environmental damage from hydrocarbon transportation, nearly all of OML 4's pipelines were replaced in 2000 and pipelines from the gas wells were replaced in 2009. OML 38's pipelines were upgraded or replaced in the 1990s and additional enhancements were made in 2008, including improvements to the gas well pipes.

The pipelines have a negligible visual impact on the environment since they are buried with piggyback cathodic protection. They are also regularly inspected and maintained.

Based on the documents and information disclosed by Seplat, 6 pipeline incidents between 2006 and 2009 were noted in the framework of the due diligence conducted by Environmental Resources Management, which however concluded that there were no significant issues.

#### 8.2.5 Other environmental issues

The facilities do not contain asbestos or polychlorinated biphenyl and pesticides are not used in their operation.

#### 8.2.6 Environmental impact assessment of Seplat's activities

Under the applicable Nigerian regulations, all companies operating in Nigeria's hydrocarbons sector are obliged to conduct an Environmental Impact Assessment to study the impact of their activities and facilities on the environment. The infrastructure acquired by Seplat under the OML 4, 38 and 41 Agreement for Assignment (see section 6.3.5.1 of this prospectus) was constructed prior to the adoption of these regulations. As a result, these studies were probably not carried out by the previous operator.

However, Environmental Evaluation Reports have been prepared for the Oben and Sapele fields, relating to the construction of a gas processing plant on the Oben field and voluntarily for the Sapele field, covering the current situation of these two sites and operations conducted there in the past.

In February 2011, Seplat commissioned reports on the consequences of its activities on environmental matters in accordance with the rules laid down by Nigeria's Department of Petroleum Resources for OMLs 4, 38 and 41, in a bid to ascertain the potential consequences of its activities on the environment. Seplat has notified the Department of Petroleum Resources (DPR) of the scope of these assessments and the Department has approved the process and methods used to produce the reports. The reports will be based on studies, sampling and analysis. Sampling will be carried out over two seasons (dry and wet) in order to precisely evaluate during those periods the condition of the groundwater, surface water, sediment, soil, air, noise and vegetation. The assessments will also take into consideration the socioeconomic context and health of the local community. Lastly, all plans for expansion, such as the drilling of new wells, the workover on existing wells and the proposed water treatment plant at the Amukpe pumping station, will also be included in these assessments.

## **9. REVIEW OF FINANCIAL POSITION AND RESULTS**

### **9.1 Overview**

#### **9.1.1 Introduction**

Maurel & Prom (which was substituted by the Company) acquired an interest in Seplat in December 2009. At that time, the latter was a dormant company that had been set up six months previously by the local partners of Maurel & Prom. As at the date of this prospectus, the Company owns 45% of Seplat. On 30 July 2010, Seplat acquired 45% of the rights in OMLs 4, 38 and 41 in Nigeria from Shell Petroleum Development Company of Nigeria Limited, Total (E&P) Nigeria Limited and Agip Oil Company. The remaining 55% rights are held by the Nigerian Petroleum Development Company, which assumed the rights and obligations held by its parent company, the Nigerian National Petroleum Corporation, in September 2010. The initial investment amounted to USD 340 million, with a maximum price adjustment of USD 33 million depending on oil prices in the two years following the acquisition date (see section 6.3.5.1 of this prospectus).

The acquisition was financed by a shareholder loan from the Company to Seplat for USD 153 million, of which Seplat has reimbursed a portion of the principal to the Company (see section 6.3.5.4(b) of this prospectus) and a loan for USD 187 million taken out by Seplat from BNP Paribas, which has since been refinanced (see section 6.3.5.4(a) of this prospectus). The Company also participated in Seplat's share capital increase (USD 40 million) and its Partners made contributions of services totalling USD 49 million.

Since the acquisition of the OMLs and until the end of 2010, an average entitlement of 17.6 Mbbl/d was acknowledged on a 100% basis with respect to OMLs 4, 38 and 41. During the first half of 2011, an average entitlement of 24.5 Mbbl/d was acknowledged on a 100% basis for these OMLs. From now on, the primary objective of the Company and its Partners is to increase Seplat's production and to convert its contingent resources (C1+C2) into reserves (P1+P2).

Seplat has the operator status for OMLs 4, 38 and 41. These OMLs cover four developed fields (Oben, Amukpe, Ovhor and Sapele) and nine undeveloped fields.

#### **9.1.2 Framework**

The consolidated financial statements were prepared using the historical cost convention, save for certain asset and liability categories, in accordance with IFRS standards.

For the fiscal year ended 31 December 2010, the consolidated financial statements of the Company were prepared according to the IAS/IFRS standards applicable as at 31 December 2010, as adopted by the European Union (available at: [http://ec.europa.eu/internal\\_market/accounting/iasfr.htm#adopted-commission](http://ec.europa.eu/internal_market/accounting/iasfr.htm#adopted-commission)). Similarly, the consolidated financial statements of the Company for the first half of 2011 as at 30 June 2011 were prepared according to IAS/IFRS standards applicable at that date, as adopted by the European Union.

For the fiscal year ended 31 December 2010, the annual financial statements of Seplat were prepared according to (i) the Nigerian accounting principles of the Nigerian Statements of Accounting Standards Board applicable as at 31 December 2010 and (ii) the provisions of the Allied Matters Act, CAP C20 of 2004.

As the Company was not engaged in any business over the course of the financial year ended 31 December 2009 and during the first half of 2010, this prospectus only includes the Company's consolidated financial statements for the financial year ended 31 December 2010 and the Company's consolidated financial statements for the first half of the financial year ended 30 June 2011. Consequently, the analysis of the Company's financial position and consolidated income has been carried out using financial information from its financial year ended 31 December 2010 and the first half of 2011.

For information purposes only, the original financial statements of Seplat prepared in the English language for the financial year ended 31 December 2010 have been included in Section 20.1.2.1 of this prospectus.

The following information on the Company's financial position and consolidated income must be read together with the consolidated financial statements for the financial year ended 31 December 2010 included in section 20.1.1 of this prospectus, the Company's half-yearly consolidated financial statements as at 30 June 2011 in section 20.6.1 of this prospectus and Seplat's individual financial statements in section 20.1.2 of this prospectus (the latter being also available on the Company's website).

The preparation of the Company's consolidated financial statements according to IFRS standards means that the Company has adopted accounting policies and made a certain number of estimates and assumptions that affect the amounts of its assets and liabilities, the notes on contingent assets and liabilities at year-end and income and expenses recorded during the period. New developments and circumstances could however lead the Company to revise these estimates.

For further information on the accounting standards applied to the consolidated financial statements for the year ended 31 December 2010 and to those for the first half of 2011, please see Note 2 to the financial statements included in section 20.1.1.1 and Note 2 to the financial statements included in section 20.6.1.1 of this prospectus.

For further information on the accounting standards applied to Seplat's individual financial statements for the year ended 31 December 2010, see the statement on accounting methods in section 20.1.2 of this prospectus.

### 9.1.3 Significant events in 2010 and the first half of 2011

Oil and condensate entitlements in Nigeria varied between 15 Mbb/d and 30 Mbb/d (of which the Company owns 20.25%) during the fourth quarter of 2010, with two lifts carried out during this period. Seplat's sales generated in this respect for year 2010 amounted to USD 87 million, corresponding to production of 1.0 MMbbl sold at an average price of USD 86.

In the first half of 2011, an average entitlement of 24.5 Mbb/d (of which the Company owns 20.25%) was acknowledged. Six lifts were carried out within this period. Seplat's sales generated under this heading totalled USD 220.9 million, corresponding to production of 2.0 MMbbl sold at an average price of USD 113.

## 9.2 Profit and loss statement analysis

### 9.2.1 Consolidated profit and loss statement

The Company's consolidated profit and loss statement for the period of 1 January 2010 to 31 December 2010 and 1 January 2011 to 30 June 2011 is as follows:

In thousands of EUR	31/12/2010	30/06/2011
Sales	28,480	72,022
Operating income	11,532	37,069
Financial income	(2,654)	(11,319)
Income before tax	8,878	25,750
Income tax	(7,433)	(23,552)
Consolidated net income	1,445	2,198
Earnings per share		
Basic	0.09	0.02
Diluted	0.09	0.02

### 9.2.2 Consolidated operating income

In 2010, the Company registered a consolidated operating margin of 40.5%, while personnel expenses represented 5.5% of consolidated sales and production royalties and local taxes represented 23.4% of consolidated sales.

During the first half of 2011, the Company registered a consolidated operating margin of 51.5%, while personnel expenses represented 1.1% of consolidated sales and production royalties and local taxes represented 20.7% of consolidated sales.

### 9.2.3 Consolidated financial income

The consolidated financial income for the period of 1 January 2010 to 31 December 2010 totalled EUR (2.65) million, broken down as follows:

- interest expense on other borrowings: (i) interest on the BNP Paribas loan granted to Seplat for EUR 3.3 million and (ii) interest on cash advances granted by Maurel & Prom to the Company for EUR 2.7 million.
- net gains and losses on derivative instruments corresponding to the change in fair value of the price adjustment between the acquisition date of the OMLs in August and year-end; and
- foreign exchange differences derived from the revaluation at the closing rate of advances in US dollars granted by the Company to Seplat.

Other components of the financial income correspond to interest on advances paid by the Company to Seplat (recognised in the Company's statements based on the share belonging to its fellow shareholders in Seplat, namely Shebah and Platform).

In addition, the consolidated financial income for the period of 1 January 2011 to 30 June 2011 totalled EUR (11.3) million, broken down as follows:

- interest expense on the Bridge Loan granted by BNP Paribas and African Export-Import Bank to Seplat for EUR 2.8 million;
- net losses on derivative instruments corresponding to the change in fair value of the price adjustments between the acquisition date of the OMLs in August 2010 and 30 June 2011;
- foreign exchange differences (- EUR 8 million) from the revaluation of the EUR/USD rate at 30 June 2011 on the advances in US dollars granted by the Company to Seplat;
- interest on cash advances granted by Maurel & Prom to the Company in an amount of EUR 2 million (recognised in the Company's statements based on the share belonging to its fellow shareholders within Seplat, namely Shebah and Platform).

#### 9.2.4 Income tax

The consolidated income tax as at 31 December 2010 consists of a current tax liability of EUR 7.56 million and a deferred tax liability of EUR 0.13 million.

The consolidated income tax as at 30 June 2011 consisted of a current tax liability of EUR 23.48 million and a deferred tax liability of EUR 0.75 million.

#### 9.2.5 Earnings per share

The consolidated earnings per share as at 31 December 2010 and 30 June 2011 were as follows:

	31/12/2010	30/06/2011
Net income Company share (in thousands of EUR)	1,445	2,198
Average number of shares outstanding	15,319,865	121,303,213
Average number of diluted shares	15,319,865	121,303,213
<b>Earnings per share (in Euros)</b>		
Basic	0.09	0.02
Diluted	0.09	0.02

The Company has no treasury shares with a dilutive effect.

### 9.3 Financing and financial debt

#### 9.3.1 Consolidated cash flow as at 31 December 2010 and 30 June 2011

In thousands of EUR	31/12/2010	30/06/2011
<b>Consolidated net income</b>	<b>1,445</b>	<b>2,198</b>
<b>Pre-tax cash flow</b>	<b>20,772</b>	<b>41,561</b>
<b>Net cash flow generated by operating activities</b>	<b>(47,318)</b>	<b>26,071</b>
<b>Net cash flow related to investment activities</b>	<b>(139,985)</b>	<b>(901)</b>
<b>Net cash flow related to financing activities</b>	<b>199,099</b>	<b>(7,322)</b>
<b>Impact of exchange rate movements</b>	<b>(1,555)</b>	<b>2,982</b>
<b>Net increase/decrease in cash flow</b>	<b>10,242</b>	<b>20,831</b>
Cash and cash equivalents at start of period	37	10,279
<b>Cash and cash equivalents at end of period</b>	<b>10,279</b>	<b>31,110</b>

At the end of fiscal year 2010, consolidated net cash and cash equivalents totalled +EUR 10.3 million (compared with cash at the start of the period of EUR 37,000).

As at 30 June 2011, consolidated net cash and cash equivalents totalled +EUR 31.1 million (compared with cash at the start of the period of +EUR 10.3 million).

### 9.3.2 Net financial debt

The Company's consolidated net financial debt as at 31 December 2010 and 30 June 2011 was as follows:

In thousands of EUR	31/12/2010			30/06/2011		
	Current	Non-current	Total	Current	Non-current	Total
<b>Bonds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other borrowings and debts</b>	<b>71,223</b>	<b>0</b>	<b>71,223</b>	<b>65,753</b>	<b>0</b>	<b>65,753</b>
BNP Paribas – discount (loan arranged in USD)	14,431	0	14,431	0	0	0
BNP Paribas – loan (loan arranged in USD)	56,792	0	56,792	0	0	0
African Export-Import Bank – loan (loan arranged in USD)	0	0	0	65,748		65,748
<b>Debts on finance leasing</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Bank loans</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>6</b>
<b>Total of other borrowings and financial debt</b>	<b>71,223</b>	<b>0</b>	<b>71,223</b>	<b>65,753</b>	<b>0</b>	<b>65,753</b>
<b>Cash and cash equivalents at end of period</b>			<b>10,279</b>			<b>31,110</b>
<b>Net financial debt</b>			<b>60,944</b>			<b>34,638</b>

The Company's consolidated net financial debt totalled EUR 60.944 million at the end of 2010 and EUR 34.638 million as at 30 June 2011, which represents financial leverage<sup>9</sup> of 45.8% for 2010 and 26% for the first half of 2011.

<sup>9</sup> Financial leverage is defined as follows: net financial debt/total equity.

## 9.4 Working capital requirements

The change in the Company's working capital requirements was as follows as at 31 December 2010 and 30 June 2011:

In thousands of EUR	31/12/2010	30/06/2011
<b>Change in working capital needs relating to the business</b>	<b>66,102</b>	<b>7,634</b>
- clients	14,508	7,975
- suppliers	(6,921)	3,579
- inventory	0	1,027
- other	58,515	(4,947)

In 2010, the working capital needs increased by EUR 66.1 million due primarily to the EUR 59 million change in the "others" item. This item can be broken down as follows (in million of EUR):

Analysis of the "other" item	
Interest-bearing advance granted by the Company to Seplat	64
Advance paid for the MOU FPSO described in section 19.2.2 of this prospectus	5
Deposit paid to Abbey Court for the contract described in section 19.2.3 of this prospectus	8
Debt to NNPC for re-invoicing the joint operating costs	9
Liability for the price adjustment of the OMLs	(6)
Liability of the Company towards M&P Group	(12)
Liabilities relating to royalties on production	(6)
Liability relating to overlift	(3)
Others	0
<b>Total of other changes in working capital needs</b>	<b>59</b>

The increase in working capital requirements during the first half of 2011 amounted to EUR 7.6 million. It was caused primarily by the increase in the Company's business, which resulted in a need for financing in items directly relating to the operating cycle (client receivables, inventory and supplier debts). The "Others" item released financing resources mainly due to the decrease in outstanding receivables over the NNPC.

## 9.5 Contractual undertakings

### 9.5.1 Financial debts

The Company's consolidated gross financial debt for the year ended 31 December 2010 amounts to EUR 71.2 million and consists solely of a loan in US dollars arranged with BNP Paribas, where the share of discounted receivables totalled EUR 14.4 million and the principal totalled EUR 56.8 million (see section 9.3.2 of this prospectus).

The Company's consolidated financial debt in the first half of 2011 amounts to EUR 65.75 million and consists solely of a loan arranged in US dollars from African Export-Import Bank (Afrexim), where the principal amount was EUR 65.758 million (see section 9.3.2 of this prospectus).

#### 9.5.2 Property, plant and equipment pledged, mortgaged or otherwise offered as security

At the end of the 2010 fiscal year and as at 30 June 2011, neither the Company nor Seplat had any property, plant and equipment that had been pledged, mortgaged or otherwise offered as security. However, the Company states that the Seplat shares held by the Company and its Partners were pledged in August 2011 for the benefit of the lending banks in order to secure the repayment of the Bridge Loan.

#### 9.5.3 Financing commitments

Seplat's acquisition of the 45% interest in OMLs 4, 38 and 41 was funded in part by a bank loan granted to it on 25 June 2010 by BNP Paribas for a principal amount of USD 187 million US (the "BNP Paribas Loan") and in part by a shareholder loan granted the same date by the Company to Seplat for a principal amount of USD 153 million (see section 6.3.5.4(b) of this prospectus).

On 29 March 2011, Seplat arranged a bridge loan with African Export-Import Bank and Skye Bank Plc (the "**Bridge Loan**") for a principal amount of USD 200 million, which enabled it to repay the BNP Paribas Loan in full and part of the Shareholder Loan (see section 6.3.5.4 of this prospectus).

On 22 July 2011, the Bridge Loan was amended by a first amendment, increasing it to USD 550 million divided into two tranches. The first tranche, for USD 200 million (the "**Tranche A**"), corresponds to the principal amount already drawn down under the Bridge Loan of 29 March 2011 and initially due on 22 November 2011. The second is a long-term tranche (due on 22 July 2016) for a principal amount of USD 350 million (the "**Tranche B**"). The main aim of Tranche B is to finance future acquisitions of oil and gas assets. An amount of USD 75 million was drawn down in September 2011 from Tranche B to allow Seplat to reimburse part of the shareholder loan granted to it by the Company.

On 22 July 2011, a second amendment was made to the Bridge Loan to allow to use the funds available under Tranche B for the reimbursement of Tranche A. On 29 July 2011, the Bridge Loan was again amended to change the maturity date of Tranche A to 30 September 2011.

The interest rate on this loan is the Libor rate for US dollars plus a percentage up between 6.5% to 7.5%, depending on the lending institutions concerned, and certain costs.

Since mid-September, the parties to the Bridge Loan (as amended) have entered into discussions in order to aggregate the amount of Tranche A into that of Tranche B and to make it subject to the same terms and conditions, particularly in terms of repayment and maturity. Skye Bank Plc has already agreed that the amounts it has lent for Tranche A may now be subject to the terms and conditions applicable to Tranche B, up to an amount of USD 50 million. Negotiations are ongoing with Afrexim for the balance of Tranche A (USD 150 million) to be added to Tranche B, such that the current amount of Tranche B, namely USD 400 million (of which USD 125 million have been drawn down as at the date of this prospectus) would be increased to USD 550 million. As at the date of this prospectus, USD 275 million have been drawn down from the Bridge Loan, of which EUR 150 million under Tranche A and USD 125 million under Tranche B.

In addition, the balance of the Company's claim under the shareholder loan, as at the date of this prospectus, totals approximately EUR 17.9 million (i.e., in consolidated terms, a 55% share of the

claim for the shareholder loan that is owed to the partners Shebah and Platform, based on the EUR/USD exchange rate at 30 June 2011).

Lastly, as a security for the repayment of the Bridge Loan, the Seplat shares held by the Company and its Partners were pledged for the benefit of the lending banks in August 2011.

#### 9.5.4 Purchase/lease of property, plant and equipment

In order to offset the risk of dependency which could result from a single transport route for its production, Seplat entered into a memorandum of understanding with Shebah Exploration and Production Company Limited and Allenne British Virgin Islands Limited on 16 November 2010 granting Seplat an exclusive option on the potential lease or acquisition of the Trinity Spirit oil floating production, storage and offloading ("**FPSO**") unit.

Seplat paid Shebah Exploration and Production Company Limited a USD 15 million deposit, as an advance payment to be set off against the acquisition or lease price of the FPSO or that of the treatment of oil using the FPSO to be agreed between the parties in the event of the conclusion of a final agreement. This amount will, as the case may be, be repaid, without any financial penalty whatsoever, by the co-contracting party within 7 business days from Seplat's request if:

- Seplat decides not to buy the FPSO;
- Seplat decides not to lease the FPSO or decides not to use transportation, handling and delivery services via the FPSO for its crude oil production;
- the final price on which the parties agreed is below the amount of the deposited amount. In such a case, the difference between the final price and the amount of the deposited amount will be repaid to Seplat; or
- Shebah Exploration and Production Company Limited chooses, in its entire discretion, to repay the deposited amount if, within six months from the deposit, Seplat does not confirm its intentions to acquire or use the FPSO as contemplated.

On the date of this prospectus, negotiations are in progress with a view to entering into a final agreement.

#### 9.5.5 Future investments

In order to fulfil the objectives of the Company and its Partners to increase the mining activities of Seplat and with a view to identifying and negotiating the best opportunities, Seplat signed a two-year memorandum of understanding on 22 March 2010 with Abbeycourt Petroleum Company Limited ("**APCO**"), a company specialising in the oil and gas industry in Nigeria and West Africa.

To support this project, Seplat has set aside a USD 25 million fund, with APCO as manager. At the end of the MOU, APCO will repay to Seplat any amounts not used for this purpose.

APCO acts as Seplat's agent to identify, structure and negotiate strategic investments.

## **10. CASH AND CAPITAL**

### **10.1 Cash flows and funding**

The consolidated cash flows and funding requirements for the year ended 31 December 2010 are described in section 9.3.1 of this prospectus.

### **10.2 Borrowing conditions and financing structure**

Current loans are described in section 6.3.5.4 of this prospectus.

### **10.3 Restrictions on the use of capital**

As at the date of this prospectus, there are no restrictions on the use of the capital available to the Company.

### **10.4 Self-financing capacity and estimated cash flows**

#### **10.4.1 Basis for the preparation**

##### *10.4.1.1 Preparation of self-financing capacity and estimated cash flows*

The following overview of the self-financing capacity and estimated cash flows for the years ending 31 December 2011, 31 December 2012 and 31 December 2013 (the "**Indicative Projections**") is provided for information purposes only. The Indicative Projections were prepared by the Company's managers and are their sole responsibility; they must be read in conjunction with the assumptions set out below.

The Indicative Projections were prepared for the sole purpose of complying with the provisions of paragraph 133(b) of the CESR's recommendations for the consistent implementation of the European Commission's Regulation no. 809/2004 on prospectuses (the "**CESR Recommendations**"). Paragraph 133(b)(ii) of the CESR Recommendations states that prospectuses must contain an estimate of self-financing capacity for at least two years following publication of the prospectus. Were it not for this requirement imposed by the CESR Recommendations, the Indicative Projections would not be included in this prospectus.

It should be noted that the Indicative Projections, which have not been audited and are prepared based on the Company's management data, do not constitute any type of forecast, whether in terms of cash flow, profits or similar (a statement from the auditors on the Company's self-financing capacity is included in section 10.4.2 of this prospectus). The Indicative Projections cover an extended future period and the estimates and assumptions relating to the underlying projections are therefore highly uncertain, since (i) they are based on events that have not occurred and (ii) they are subject to significant economic, competitive and other uncertainties and other events beyond the Company's control. In addition, taking into account the nature of the Company's business, which is exposed to significant risk factors, there is no guarantee that the cash flow forecasts will be achieved and it is in fact probable that the actual cash flows will be, as the case may be significantly, higher or lower than those projected. We wish to draw the attention of potential investors to the section on risk factors included in this prospectus (see section 4 of this prospectus).

Since the Indicative Projections are based on assumptions and factors that could be affected by unforeseen events and since they concern an extended future period, the actual figures could differ from those described in the Indicative Projections, as the case may be significantly.

#### 10.4.1.2 Indicative Projections

The estimated cash flows and consolidated funding requirements for 2011-2013 are as follows:

Indicative Projections (in thousands of EUR)			
	2011	2012	2013
<b>Sales</b>	<b>159,340</b>	<b>230,310</b>	<b>284,705</b>
Production and transportation costs	(15,626)	(25,159)	(28,393)
Royalties and taxes	(33,619)	(50,734)	(61,035)
General expenses	(15,300)	(11,211)	(12,535)
Financial expenses	(5,976)	(6,653)	(6,653)
Income tax	(49,113)	(73,596)	(99,151)
Other non-recurring items	0	0	0
<b>Self-financing capacity</b>	<b>39,707</b>	<b>62,957</b>	<b>76,938</b>
Change in working capital	(6,684)	(13,687)	(3,815)
<b>Net cash flow from the operation</b>	<b>33,023</b>	<b>49,270</b>	<b>73,123</b>
Capital expenditure	(9,041)	(43,104)	(32,255)
Cash flow from financing activities	181,537	0	0
<b>Change in cash flow</b>	<b>205,520</b>	<b>6,167</b>	<b>40,868</b>
Cash and cash equivalents at start of period	10,241	215,761	221,927
Cash and cash equivalents at end of period	215,761	221,927	262,795

The above projections for 2013 do not indicate any funding requirements for the business or to planned investments. The cash flow position will steadily increase to EUR 262.8 million at the end of 2013, representing average annual growth of 10%.

In order to prepare the Indicative Projections, the managers have used a production profile prepared from information contained in the Competent Person's Report prepared by Gaffney Cline & Associates on 1 November 2011 on the estimated reserves and part of the resources of OMLs 4, 38 and 41 at 30 June 2011. Production, during the period covered by the Indicative Projections concerns the current reserves P1 and P2 (excluding P3) of OMLs 4, 38 and 41 and a proportion of the resources. For the purposes of the Indicative Projections, no oil, gas or condensate production is expected to be generated from other interests/rights in the concessions held by the Company.

The admission of the Company's shares to trading on the regulated market of NYSE Euronext in Paris will thereafter allow it, subject to obtaining necessary approvals from its shareholders, to raise capital on the market to finance future development opportunities.

Subject to the obligations resulting from Seplat's work programs under the joint operating agreement, the Company can, at its discretion, modify the proposed capital expenditure. Should any attractive opportunities arise, a redistribution of funds or strategic priorities could be deemed necessary. For example, this could be the case if exploration, development or evaluation outcomes are unsatisfactory or if the results are not commercially viable.

The following bases and assumptions were used by management to prepare the Indicative Projections.

(a) Production, price and sales

<b>Production</b>			
	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Oil and condensate (MMbbl)</b>			
Production at 100%	11.1	17.2	21.3
Company share of production	2.2	3.5	4.3
<b>Gas (Gpc)</b>			
Production at 100%	34	34	34
Company share of production	7	7	7
<b>Total (Mbep)</b>			
Production at 100%	11.1	17.2	21.3
Company share of production	2.3	3.5	4.3
<b>Price in USD</b>			
Oil and condensate (per barrel)	106.15	92.00	92.00
Gas (per MMcf)	0.07	0.07	0.07
<b>Sales (in thousands of EUR)</b>			
Oil and condensate	158,433	228,953	283,330
Gas	300	393	410
Other	608	964	964
<b>Sales</b>	<b>159,340</b>	<b>230,310</b>	<b>284,705</b>

The aggregated production at the end of 2013 was estimated on all the fields in a conservative way. It is slightly inferior (-3%) to the production used in the Competent Person's Report on Oil Mining Licenses 4, 38 and 41 prepared by Gaffney Cline & Associates on 1 November 2011. Only production from the four developed fields, Ovhor, Amupke, Sapele and Oben is taken into account in these Indicative Projections.

The actual selling prices until end of June 2011 have been taken into account. The forecast selling prices used are USD 102 for the second half of 2011 and USD 92 for 2012 and 2013.

For gas, an extremely conservative price of USD 0.07 per MMcf was used.

(b) Operating expenses

<b>Operating expenses</b>			
	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>In thousands of EUR</b>			
Production	(8,588)	(16,498)	(20,368)
Transportation costs	(7,038)	(8,662)	(8,026)
	<b>(15,626)</b>	<b>(25,159)</b>	<b>(28,393)</b>
<b>In USD per barrel</b>			
Production	6.1	6.6	6.6
Transportation costs	4.7	3.5	2.6
	<b>10.9</b>	<b>10.1</b>	<b>9.2</b>

Production costs mainly comprise fixed costs (wages of on-site staff, catering, facility maintenance and site security) and semi-fixed costs (workovers (i.e., large-scale maintenance and repair work) and well maintenance). Variable costs essentially comprise consumables and chemicals.

Oil transportation and delivery costs correspond to the use of the Shell Petroleum Development Company of Nigeria Limited pipeline from Rapele to the Forcados terminal, the storage of hydrocarbons in containers at the terminal and technical oil-water separation services. The latter service will no longer be provided by Shell Petroleum Development Company of Nigeria Limited once Seplat is able to carry out separation itself, which should be possible in mid-2013.

The Company believes that, if it were to use one of the alternative transportation solutions described in section 4.2.4 of this prospectus, the estimated transportation costs should be similar, with the exception of the estimated transportation costs pertaining to the Trinity Spirit FPSO, which should be higher due to the additional cost of transporting the oil to the FPSO by barge.

The following table shows transportation costs (including transportation, storage and processing) per barrel of oil in US dollars under the crude handling agreement described in section 6.3.5.5(a) of this prospectus:

Service		Oil grade		Calculation basis
		Oil+water	Oil	
Use of the terminal	Capacity cost*	1.58	1.46	52 Mbbbl/d
	Production cost**	0.22	0.12	Actual production in bbl/d
Use of the pipeline	Capacity cost*	0.46	0.34	52 Mbbbl/d
	Production cost**	0.32	0.17	Actual production in bbl/d
<b>Total per bbl</b>		<b>2.58</b>	<b>2.09</b>	

\* Capacity cost: fixed cost per bbl/d for the reservation of terminal and pipeline capacity for 52 Mbbbl/d

\*\* Production cost: additional cost for the actual use of the terminal and pipeline per bbl/d

(c) Production royalties

Royalties and taxes			
	2011	2012	2013
<b>In thousands of EUR</b>			
Production royalties	(32,116)	(45,818)	(56,695)
Other taxes	(1,503)	(4,915)	(4,340)
<b>Total</b>	<b>(33,619)</b>	<b>(50,734)</b>	<b>(61,035)</b>
<b>In USD per barrel</b>			
Production royalties	21.5	18.4	18.4
Other taxes	1.0	2.0	1.4
<b>Total</b>	<b>22.5</b>	<b>20.4</b>	<b>19.8</b>

Production royalties of 20% for oil and 7% for gas are levied on production valued at market price.

Other taxes mainly consist of the "NDDC Levy", equivalent to 3% of expenditure (investment and expenses).

## (d) General expenses

<b>General expenses</b>			
	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>In thousands of EUR</b>			
Holding support functions	(1,296)	(2,563)	(2,800)
Local support functions	(4,529)	(5,434)	(6,521)
Non-operating costs	(9,476)	(3,214)	(3,214)
<b>Total</b>	<b>(15,300)</b>	<b>(11,211)</b>	<b>(12,535)</b>
<b>In USD per barrel</b>			
Local support functions	3.0	2.2	2.1

## (e) Investments

<b>Investments (in thousands of EUR)</b>				
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Appraisal wells		20,000	80,000	32,000
Injection wells		0	40,000	23,000
Production wells, treatment and routing facilities	6,634	40,400	178,000	163,000
Other	4,890	2,104	0	5,000
Total investment in thousands of USD at 100%	11,524	62,504	298,000	223,000
Company share of investments in thousands of Euros	1,667	9,041	43,104	32,255
Acquisition of OMLs	131,997	-	-	-
<b>Investments</b>	<b>133,664</b>	<b>9,041</b>	<b>43,104</b>	<b>32,255</b>

Investments budgeted for 2011 initially amounted to USD 155 million (the amount shown in the official budget approved by the authorities at the end of 2010) for the members of the joint operating agreement. In September 2011, the investment program was revised to take into account

(i) the delay in its implementation and (ii) the redefinition of certain objectives. Consequently, the investments for 2011 now stand at around USD 60 million.

The investments planned for 2012 and 2013 were also revised in September 2011. This revision has had no substantial impact on the amount of the investments made by the members of the joint operating agreement, namely, approximately USD 300 million per year.

In 2012, these investments of around USD 300 million for OMLs 4, 38 and 41 made by the members of the joint operating agreement i.e., around EUR 43 million for the Company, based on an EUR/USD exchange rate of 1.40, correspond to an intensive drilling programme of production wells (for approximately USD 220 million) able to cover the increase in production on all the fields and to the introduction of an alternative routing system for production. In 2013, the creation of an oil/water separation unit and certain connection facilities are notably planned.

(f) Other assumptions

The only external financing included in these Indicative Projections is the loan described in section 6.3.5.4(a) of this prospectus. The Company has applied a rate of slightly more than 10% for 2011 (due to the commission paid for taking out the Bridge Loan) and 9% for 2012 and 2013 for this loan for establishing the Indicative Projections.

These Indicative Projections also take into account a contribution in cash from Maurel & Prom for USD 105 million (see section 26.1.7 of this prospectus). In addition, the Indicative Projections do not include the repayment of the USD 46.5 million balance of the Company's Shareholder Loan to Seplat for the period in question.

These Indicative Projections also take into account a 65.75% rate for the income tax.

The Indicative Projections take into account the assumption that an additional USD 33 million will be paid for the acquisition of 45% of OMLs 4, 38 and 41 by Seplat (see section 6.3.5.1 of this prospectus).

Finally, the Indicative Projections do not take into account the amount of the dividends that the Company might distribute.

An exchange rate of USD 1.40 per EUR was used for the Indicative Projections.

#### 10.4.2 Auditors' statement on self-financing capacity

This is a free translation into English of the statutory auditors' report on the estimated self-financing capacity issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

INTERNATIONAL AUDIT COMPANY  
46 Rue du Général Foy  
75008 Paris  
SAS with capital of EUR 46,000

FRANÇOIS CARREGA  
13 Boulevard des Invalides  
75007 Paris

Statutory auditor  
Member of the Paris auditors' association

Statutory auditor  
Member of the Paris auditors' association

## **Maurel & Prom Nigeria**

### **Statement of the statutory auditors with respect to the "estimated self-financing capacity" submitted as part of the listing of Maurel & Prom Nigeria on the regulated market of NYSE Euronext in Paris**

Dear Sir,

In our capacity as statutory auditors of the company Maurel & Prom Nigeria and in accordance with your request, we have verified the information presented on the estimated self-financing capacity of the Maurel & Prom Nigeria group as presented in part 10.4.1 of the prospectus prepared for the listing of Maurel & Prom Nigeria shares on the regulated market of NYSE Euronext in Paris.

This information has been prepared under your responsibility. The methods and main assumptions used to prepare this financial information are set out in the prospectus, part 10.4.1.

Our role is to report on the consistency of this information with the methods and main assumptions described in part 10.4.1 of the prospectus. However, it is not our role to query the assumptions made by the management of Maurel & Prom Nigeria.

Our engagement, which does not constitute an audit or a review, was performed in accordance with the professional standards applicable in France. Our work consisted in:

- Obtaining an understanding of the procedures used for preparing the information;
- Collecting the data and the explanations we deemed necessary for confirming that the information is adequately established on the stated basis. We therefore verified that:
  - the information accurately reflects the assumptions described;
  - the information is consistent with the production profiles included in the Competent Person's Report prepared by the independent expert Gaffney Cline & Associates dated 1 November 2011;
  - the calculations done on the basis of the described assumptions are arithmetically accurate;
  - the major assumptions made by the issuer in preparing the estimates have been accurately described.
- Verifying that the accounting methods used were consistent with the methods used within the group.

It should be noted that, as estimations are by nature uncertain, the final figures could differ from those included in these estimations and that we express no conclusion on the actual confirmation of these estimations.

On the basis of our work, we have nothing to report on the consistency of the information contained in this statement with the methods and main assumptions described in part 10.4.1 of the prospectus.

This report is issued for the sole purpose of the listing of the Maurel & Prom Nigéria shares in France and other European Union countries in which the prospectus, as approved by the French Stock Exchange Regulatory Body (AMF), will be published and may not be used for any other purpose.

This report is governed by French law. The courts of France shall have exclusive jurisdiction over any claim, dispute or difference resulting from our engagement letter or the present report, or any related matters. Each party irrevocably waives its right to oppose any action brought before the French courts, to claim that the action is being brought before an illegitimate court or that the courts have no jurisdiction.

Paris, 4 November 2011

The Statutory Auditors

International Audit Company  
[signature]

François Carrega  
[signature]

Daniel de Beaurepaire

## **11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES**

### **11.1 Research and development**

Not applicable.

### **11.2 Trade marks, patents and licenses**

Not applicable.

## **12. TREND INFORMATION**

The Company and its Partners are developing in 2011 the potential of Seplat's assets through the increase of the production of the fields already in operation. These developments will become more marked by the end of 2011 with an objective, from 2012, to bring two new fields into production per year.

In 2011, Seplat plans to increase the level of production of OMLs 4, 38 and 41 by bringing into production two additional wells at the Ovhor field and resuming production at five wells at the Sapele field. The aim is to reach 40 Mbbl/d in well outflow (on a 100% basis) by the end of 2011. Seplat also intends to convert contingent resources into reserves and, to that end, expects to make the necessary investments with a view to recovering the hydrocarbons as efficiently and cost-effectively as possible.

The aim of the Company and its Partners for Seplat is to generate sales for 2011 of EUR 159 million. This target is based on production data as at the end of March, assuming, for the end of 2011, a cost of the Brent barrel of USD 102 (including a USD 2 premium related to the quality of the oil produced) and an exchange rate of EUR 1 to USD 1.40.

These objectives are based on data, assumptions and estimates considered reasonable by the Company on the date of this prospectus. However, they should not be considered as forecasts. These data, assumptions and estimations are likely to change or be modified due to uncertainties relating in particular to the economic, financial, accounting, competitive and regulatory environment. Furthermore, the emergence of certain risks as described in section 4 of this prospectus could have a negative effect on the Company's business, financial position and results and its ability to meet its targets. The Company has given no commitment or guarantee with regard to meeting the targets set out in this prospectus.

## **13. PROFIT FORECASTS OR ESTIMATES**

Not applicable.

## **14. MANAGEMENT AND SUPERVISORY BODIES AND GENERAL MANAGEMENT**

### **14.1 Members of the management and supervisory bodies of the Company and Seplat**

#### 14.1.1 Members of the Company's management and supervisory bodies

The Company is a French limited liability company (*société anonyme*) with a board of directors. A brief description of the key provisions of the articles of association and internal rules relating to the board of directors, and particularly its operating procedures and powers, can be found in section 21.2.2 of this prospectus.

Unless otherwise indicated, references in this chapter to the articles of association mean the Company's articles of association as adopted at the ordinary and extraordinary general meeting of the shareholders dated 7 October 2011, subject to the non-retroactive condition precedent of admission to trading and initial trading of the Company's shares on the regulated market of NYSE Euronext in Paris.

##### *14.1.1.1 Board of directors*

###### (a) Members of the board of directors

The board of directors is composed of at least three members and at most 12 members, appointed at the ordinary general meeting of the shareholders, save for the legal exception for mergers. The members of the board have a three-year term of office and may be re-elected.

In addition, at the meeting held on 22 September 2011, the Company's board of directors acknowledged that certain directors in office and other directors who were proposed for appointment at the meeting of the shareholders dated 7 October 2011 and who were eventually appointed during such meeting, satisfied all the independence criteria fixed by the corporate governance code for mid and small caps issued by Middlednext, as incorporated in the internal rules approved by the board of directors on 22 September 2011 and which will come into force subject to the non-retroactive condition precedent of admission to trading of the Company's shares on the regulated market of NYSE Euronext in Paris. The independent directors are identified in the list of the Company's directors.

As at the date of this prospectus, the board of directors is composed as follows:

###### **Mr Augustine Ojunekwu Avuru, age 53, director**

Adress: 12, rue Volney, 75002 Paris.

Mr Augustine Ojunekwu Avuru was appointed as a director of the Company at the ordinary general meeting of 7 October 2011 for a term of three years, i.e. until the ordinary general meeting convened in 2014 to approve the financial statements for the year ending 31 December 2013.

Mr Augustine Ojunekwu Avuru has a Bachelor of Science degree in geology from the University of Nsukka in Nigeria and a post-graduate diploma in oil engineering from the University of Ibadan.

Mr Augustine Ojunekwu Avuru has over 30 years' experience in the oil and gas industry. He began his career with the Nigerian National Petroleum Corporation, where for over 12 years he worked as a field geologist, production seismologist and reserve engineer. He served as director of exploration for 10 years, then as a technical director in Allied Energy Resources, a Nigerian oil exploration

company. He was also a member of the ministerial committee for the restructuring of the directorate of petroleum resources and an external consultant for the Senate committee on petroleum resources. He is a member and former chairman of the Nigerian Association of Petroleum Explorationists.

In 2002, Mr Augustine Ojunekwu Avuru formed Platform Petroleum Limited (see section 5.1.2.5(b) of this prospectus), for which he acted as managing director until 2010, when he stepped down to become managing director of Seplat.

**Mr Xavier Blandin, age 61, independent director**

Address: 12 rue Volney, 75002 Paris

Mr Xavier Blandin was appointed as a director of the Company at the ordinary general meeting of 7 October 2011 for a term of three years, i.e. until the ordinary general meeting convened in 2014 to approve the financial statements for the year ending 31 December 2013.

A graduate of the HEC business school in Paris and alumnus of the prestigious ENA administrative school, Mr Xavier Blandin spent the early part of his career (1978-1991) in the French civil service, notably with the Treasury Department. During this time, he was deputy director for France with the International Monetary Fund in Washington and financial attaché at the French Embassy in the United States (1983-1985), head of the Banks and Banking Regulation office at the Treasury Department (1985-1986), technical advisor to the Cabinets of Messrs Cabana and Balladur (1986-1988), head of the public enterprise office (1988-1989) and assistant director of the Treasury Department (1989-1991).

From 1991 to the end of December 2010, Mr Xavier Blandin worked in the banking sector, first for Banque Paribas (1991-1999) and then for BNP Paribas, where he was a member of the executive committee of the "corporate finance" department before becoming a "senior banker".

**Ms Nathalie Delapalme, age 54, independent director**

Address: 12 rue Volney, 75002 Paris

Ms Nathalie Delapalme was appointed as a director of the Company at the ordinary general meeting of 7 October 2011 for a three-year term, i.e. until the ordinary general meeting convened in 2014 to approve the financial statements for the year ending 31 December 2013.

Ms Nathalie Delapalme spent the early part of her career with the Senate (1984-1985 and 1997-2002), mainly as an administrator and then as an advisor to the finance committee. From 1995 to 1997 she was a Deputy Director serving under the Minister for Cooperation and then became Africa advisor for the Foreign Minister from 2002 to 2007. From 2007 to 2010, she worked as General Inspector of Finances for the Inspectorate-General of Finance (IGF) and in June 2010 she joined the Mo Ibrahim Foundation as Director of Research and Public Policy.

**Mr Jean-François Hénin, age 67, chairman of the board**

Address: 12 rue Volney, 75002 Paris

Mr Jean-François Hénin was appointed as a director of the Company at the ordinary general meeting of 15 November 2010 for a three-year term, i.e. until the ordinary general meeting convened in 2013 to approve the financial statements for the year ending 31 December 2012. On 15 November 2010, the board of directors elected Mr Jean-François Hénin as chairman and CEO of

the Company. The board of directors, at the meeting dated 22 September 2011, decided however to amend the way the Company is managed and to split the offices of chairman and CEO. Mr Jean-François Hénin acknowledged the termination of its office as chairman and CEO. At the same meeting, and as a consequence of the amendment of the governance rules of the Company, the board of directors decided to appoint Mr Jean-François Hénin as chairman of the board of the Company.

Mr Jean-François Hénin previously held the position of CEO of Thomson CSF Finance and then of Altus until May 1993. He was chairman and CEO of Électricité et Eaux de Madagascar between 1994 and 2000. Since then, he has been chairman and CEO of Aréopage, general manager and general partner of Maurel & Prom (in the form of a partnership limited by shares), general manager of Maurel & Prom and chairman of the management board after Maurel & Prom became a *société anonyme* at the end of 2004. Since Maurel & Prom became a *société anonyme* with a board of directors in 2007, Mr Jean-François Hénin has held the position of chairman and CEO of Maurel & Prom.

**MACIF (Mutuelle Assurance des Commerçants et Industriels de France), represented by its permanent representative Mr Gérard Andreck, age 67, independent director**

Address: MACIF, 2/4, rue de Pied de fond, 79037 Niort Cedex

MACIF was appointed as a director of the Company at the ordinary general meeting of 7 October 2011 for a term of three years, i.e. until the ordinary general meeting convened in 2014 to approve the financial statements for the year ending 31 December 2013.

Insurer of goods (auto, home, etc.) since its creation in 1960, MACIF has progressively diversified its activities and is today present in the health, contingency, saving, life insurance and banking sectors.

**Mr Emmanuel de Marion de Glatigny, age 65, director**

Address: 12 rue Volney, 75002 Paris

Mr Emmanuel de Marion de Glatigny was appointed as a director of the Company at the ordinary general meeting of 15 November 2010 for a term of three years, i.e. until the ordinary general meeting convened in 2013 to approve the financial statements for the year ending 31 December 2012.

Mr Emmanuel de Marion de Glatigny gained management expertise as a director of an insurance company and as members of various supervisory boards and boards of directors since 1984.

**Mr Ambrosie Bryant Chukwueloka Orjiako, age 51, director**

Address: 12, rue Volney, 75002 Paris

Mr Ambrosie Bryant Chukwueloka Orjiako was appointed as a director of the Company at the ordinary general meeting of 7 October 2011 for a term of three years, i.e. until the ordinary general meeting convened in 2014 to approve the financial statements for the year ending 31 December 2013.

Mr Ambrosie Bryant Chukwueloka Orjiako has a doctorate in medicine and surgery from the University of Calabar (Nigeria). He trained as a surgeon at Lagos University Teaching Hospital (LUTH) from 1989 to 1991. In 1996, Mr Ambrosie Bryant Chukwueloka Orjiako set up the Daniel

Orjiako Memorial Foundation (DOMF), which finances bursary programmes for disadvantaged students. In 2006, he attended the Owner/President Management course at Harvard University.

Mr Ambrosie Bryant Chukwueloka Orjiako has over 25 years' experience in various business sectors in Nigeria, particularly shipping, pharmaceuticals, insurance and oil and gas.

**Mr Alexandre Vilgrain, age 55, independent director**

Address: 12 rue Volney, 75002 Paris

Mr Alexandre Vilgrain was appointed as a director of the Company at the ordinary general meeting of 15 November 2010 for a term of three years, or until the ordinary general meeting convened in 2013 to approve the financial statements for the year ending 31 December 2012.

In 1979, Mr Alexandre Vilgrain joined his family business, the agro-industrial group Jean-Louis Vilgrain, where he held numerous positions in subsidiaries based in France, Africa and the Indian Ocean. He founded Delifrance Asia, a chain of French style cafs and bakeries, and then floated the company on the Singapore stock exchange in 1996. In 1995, he succeeded his father, Jean-Louis Vilgrain, as chairman and CEO of Somdiaa, for which he defined and implemented a development strategy in Africa, in the milling and sugar industry.

As a board member of Somdiaa group subsidiaries, he has also held various positions in external companies, most notably representing Somdiaa for almost 10 years as an observer on Proparco's board of directors. In 2009, he was appointed as chairman of the *Conseil Français des Investisseurs en Afrique* (CIAN).

The Somdiaa group (which reported sales of EUR 238 million in 2008) is a major economic player in Africa's agri-food industry with over 50 years' experience, mainly in the sugar, flour and livestock feed sectors and, more recently, in cotton.

- (b) Other positions or appointments held by members of the board of directors in other companies

**Mr Augustine Ojunekwu Avuru**

*Appointments held in French companies*

N/A.

*Appointments held in foreign companies*

Mr Augustine Ojunekwu Avuru is director, managing director and chairman of the call for tenders committee of Seplat.

He has also exercised the positions of member of the National Committee on Local Content Development, advisor of Platform Petroleum Limited and director of Professional Support Limited (of which he is also the founder).

He was previously the managing director of Platform Petroleum Limited and chairman of the technical sub-commission which contributed to the drafting of the Local Content Act in 2010.

### **Mr Xavier Blandin**

#### *Appointments held in French companies*

In fiscal years 2006, 2007, 2008 and 2009, Mr Xavier Blandin was a director of various SOFICA.

Since 2011, Mr Xavier Blandin has been a director of Maurel & Prom.

#### *Appointments held in foreign companies*

N/A.

### **Ms Nathalie Delapalme**

#### *Appointments held in French companies*

Ms Nathalie Delapalme is a member of the supervisory board of CFAO. She is also a member of the Maurel & Prom board of directors, of the Pierre Fabre foundation, of the Elle foundation and of Agrisud. She also serves as member of the cooperation commission of Unicef-France.

#### *Appointments held in foreign companies*

She is a member of the board of directors of the Mo Ibrahim Foundation.

### **Mr Jean-François Hénin**

#### *Appointments held in French companies*

In fiscal years 2006, 2007, 2008, 2009 and 2010, Mr Jean-François Hénin was chairman of the Pacifico management board and member of the boards of directors of Pacifico Forages and Eo2.

In fiscal years 2009 and 2010, Mr Jean-François Hénin was (i) chairman and CEO of Etablissements Maurel & Prom SA and (ii) chairman of Caroil SAS, Maurel & Prom Venezuela, Maurel & Prom West Africa, Maurel & Prom Assistance Technique, Maurel & Prom Volney 2 and Maurel & Prom Volney 4.

#### *Appointments held in foreign companies*

In fiscal years 2009 and 2010, Mr Jean-François Hénin was (i) chairman and CEO of Maurel & Prom Congo and Zetah M&P Congo (dormant company), (ii) managing director of Maurel & Prom Colombia BV and Maurel & Prom Latin America BV, (iii) general director of Prestoil Kouilou and (iv) director of Zetah Kouilou Ltd., Zetah Noumbi Ltd., Seplat, Maurel & Prom Exploration Production Tanzania Ltd. and Panther Eureka S.r.l.

Mr Jean-François Hénin also sat on the board of New Gold Mali as representative of Pacifico.

### **Mr Emmanuel de Marion de Glatigny**

#### *Appointments held in French companies*

Mr Emmanuel de Marion de Glatigny was a member and vice-chairman of Maurel & Prom's supervisory board until 14 June 2007 and has been a member of the Maurel & Prom board of directors since that date.

In fiscal years 2006, 2007, 2008, 2009 and 2010, Mr Emmanuel de Marion de Glatigny was a member of the Maurel & Prom board of directors.

In fiscal years 2006, 2007, 2008, 2009 and 2010, Mr Emmanuel de Marion de Glatigny was chairman of the supervisory board of Pacifico and a director at Easydentic S.A. (now SafeTIC) and at Seren. He was also a member of the Pacifico Forages board of directors in fiscal years 2009 and 2010.

Since fiscal year 2008, he has been the general manager of Glatigny Patrimoine SARL.

*Appointments held in foreign companies*

N/A.

**MACIF (Mutuelle Assurance des Commerçants et Industriels de France), represented by its permanent representative Mr Gérard Andreck**

*Appointments held in French companies*

Fiscal year 2010

MACIF was (i) director of ADI Alternative Investments S.A., Altima Courtage S.A., Avise S.A.S., BPCE Assurances S.A., Chèque Domicile S.A., Compagnie Foncière de la MACIF S.A.S., Domicours Holding S.A.S., Enercoop S.C.I.C., ESFIN S.A.S., Foncière de Lutèce S.A., Gestépargne Investissements Services S.A., GIE IMH G.I.E., GIE Navmut G.I.E., MACIF Gestion S.A., MACIF Participations S.A.S., Macifilia S.A., Meilleurtaux S.A., OFI AM S.A., OFI Holding (formerly OFI INSTIT) S.A., OFI Participations S.A., Oterom Holding S.A.S., Secta S.A., Socram Banque S.A., Solaire Direct S.A., (ii) chairman of the supervisory board of Inservio S.A.S., (iii) member of the supervisory board of Altima Assurances S.A., D'ARVA S.A., DV Holding S.A.S., G.P.I.M S.A.S., Inter Mutuelles Assistance SA S.A., Mutavie S.A., OFI Private Equity Capital S.C.A., OFI Private Equity S.A., Ofivalmo Partenaires S.A., (iv) observer (*censeur*) of Foncière Inéa, (v) *titulaire* of GEMA, (vi) GIE member for GIE MACIF Mutavie Assurance Vie G.I.E. and GIE Services Assurances G.I.E., (vii) chairman and member of strategic committee of IDMACIF S.A.S., (viii) Consulting Committee member of Imagecom S.A.S., (ix) chairman of strategy and partnership committee for Meilleurtaux S.A., (x) board member of OFI MGA S.A.S and UES of R.E.S. *de l'Offre de Services aux Personnes à Domicile* and (xi) member of the Supervisory Panel of OFI Investment solutions S.A.S.

Fiscal year 2009

MACIF was (i) director of ADI Alternative Investments S.A., Altima Courtage S.A., Avise S.A.S., Chèque Domicile S.A., Compagnie Foncière de la MACIF S.A.S., Domicours Holding S.A.S., Enercoop S.C.I.C., ESFIN S.A.S., Foncière de Lutèce S.A., GCE Assurances S.A., Gestépargne Investissements Services S.A., GIE IMH G.I.E., GIE Navmut G.I.E., MACIF Gestion S.A., MACIF Participations S.A.S., Macifilia S.A., Meilleurtaux S.A., OFI Instit (formerly OFI Holding) S.A., OFI Participations S.A., Oterom Holding S.A.S., Secta S.A., Socram Banque S.A., Solaire Direct S.A. and GCE Assurances S.A., (ii) chairman of the supervisory board of Inservio S.A.S., (iii) member of the supervisory board of Altima Assurances S.A., D'ARVA S.A., DV Holding S.A.S., G.P.I.M S.A.S., Inter Mutuelles Assistance SA S.A., Mutavie S.A., OFI Private Equity Capital S.C.A., Ofivalmo Partenaires S.A., (iv) observer (*censeur*) of Foncière Inéa., (v) *titulaire* of GEMA, (v) GIE member for GIE member for GIE MACIF Mutavie Assurance Vie G.I.E. and GIE Services Assurances G.I.E., (vi) chairman and member of strategic committee of IDMACIF S.A.S., (vii) member of the consulting committee of Imagecom S.A.S., (viii) chairman of strategy

and partnership committee for Meilleurtaux S.A. and (ix) board member of OFI MGA S.A.S and UES of R.E.S. *de l'Offre de Services aux Personnes à Domicile*.

#### Fiscal year 2008

MACIF was (i) director of Altima Courtage S.A., Avise S.A., Compagnie Foncière de la MACIF S.A.S., Domicours Holding S.A.S., ESFIN S.A., Foncière de Lutèce S.A., GCE Assurances S.A., Gestépargne Investissements Services S.A., GIE IMH G.I.E., MACIF Gestion S.A., MACIF Participations S.A.S., Macifilia S.A., Meilleurtaux S.A., OFI INSTIT S.A., Oterom Holding S.A.S., Secta S.A., Socram Banque S.A., Solaire Direct S.A., (ii) chairman of IDMACIF (formerly HDPMACIF) S.A.S., (iii) member of the supervisory board of Altima Assurances S.A., D'ARVA S.A., G.P.I.M S.A.S., Inter Mutuelles Assistance SA S.A., OFI Private Equity Capital S.C.A., Ofivalmo Partenaires S.A.D, (iv) observer (*censeur*) of Foncière Inéa S.A.D., (v) GIE member for GIE MACIF Mutavie Assurance Vie G.I.E. et GIE Services Assurances G.I.E., (vi) member of strategic committee of IDMACIF (formerly HDPMACIF) S.A.S., (vii) board member of Handimut S.A., Mutavie S.A.D., IMA Technologie S.A.S.U., Inter Mutuelles Téléassistance S.A.S. et UES of R.E.S. *de l'Offre de Services aux Personnes à Domicile* and (viii) member of the supervisory board of OFI RES S.A..

#### Fiscal year 2007

MACIF was (i) director of Altima Courtage S.A., Avise S.A.S., ESFIN S.A.S., Euresa Holding S.A., Foncière de Lutèce S.A., Gestépargne Investissements Services S.A., MACIF Gestion S.A., Macifilia S.A., Meilleurtaux S.A., OFI Asset Management S.A., OFI Convertibles SICAV, OFI Euro Moyen Terme SICAV, OFI Europa Bond Return SICAV, OFI INSTIT (formerly Ofivalmo Net Epargne) S.A., OFI Palmares Actions Europe, OFI Smidcap, OFI Trésor, Secta S.A., Socram S.A., (ii) member of the supervisory board of Altima Assurances S.A., D'ARVA S.A., D'ARVA Santé S.A.S., IMA S.A., Mutavie S.A., OFI Private Equity Capital (formerly Forinter) S.C.A., Ofivalmo Partenaires S.A., (iii) member of the supervisory committee of OFI RES S.A.S., (iv) board member of Compagnie Foncière de la MACIF S.A.S., Domicours Holding S.A.S., GPIM S.A.S., MACIF Participations S.A.S., Oterom Holding S.A.S., Sipemi S.A.S.

#### Fiscal year 2006

MACIF was (i) director of ADI CONSEIL, Altima Courtage S.A., Compagnie Foncière de la MACIF S.A.S., Domicours Holding S.A.S., Enercoop S.C.I.C., ESFIN S.A., Foncière de Lutèce S.A., Gestépargne Investissements Services S.A., Institut de Développement et de Participation en Capital, Macif Gestion S.A., Macif Participations S.A.S., Macifilia S.A., Ofivalmo Net Epargne, Secta S.A., Socram Banque S.A., (ii) member of the supervisory board of Altima Assurances S.A., D'ARVA S.A., D'ARVA Santé S.A.S., G.P.I.M. S.A.S., Inter Mutuelles Assistance S.A., Le Chèque Domicile, Mutavie S.A., OFI MGA, Ofivalmo, OFIVM and UES du R.E.S. *de l'Offre de Services aux Personnes à Domicile*, (iii) observer (*censeur*) of Foncière Inéa, (iv) member of the GIE of GIE Inter Mutuelles Assistance G.I.E. and GIE Services Assurances G.I.E., (v) member of the steering committee of Société d'Investissement Pour l'Emploi et l'Insertion, (vi) member of the board of Handimut S.A., IMA Technologie S.A.S., Inter Mutuelles Téléassistance S.A.S. and Socano 3, (vii) chairman of the strategy and partnerships committee of Meilleurtaux S.A. and (viii) member of the supervisory board of OFI RES S.A.

*Appointments held in non-French companies*

Fiscal year 2010

MACIF was (i) a director of Vivium in Belgium, Atlantis Seguros and Atlantis Vida in Spain, Daman in Tunisia, Euresa Holding and GEIE in Luxembourg and Unipol in Italy and (ii) a member of the supervisory board of Tuv Tuv in Poland.

Fiscal year 2009

MACIF was (i) a director of Vivium in Belgium, Atlantis Seguros and Atlantis Vida in Spain, Daman in Tunisia, Euresa Holding and GEIE in Luxembourg, Unipol in Italy and Syneteresistiki in Greece and (ii) a member of the supervisory board of Tuv Tuv in Poland.

Fiscal year 2008

MACIF was a director of Vivium in Belgium.

Fiscal year 2007

MACIF was (i) a director of Vivium in Belgium, Atlantis Vida and Atlantis Seguros in Spain, Partisagres and Sagres in Portugal and Syneteresistiki in Greece and (ii) a member of the supervisory board of Tuv Tuv in Poland.

Fiscal year 2006

MACIF was (i) a director of Vivium in Belgium, Atlantis Vida and Atlantis Seguros in Spain and (ii) a member of the supervisory board of Tuv Tuv in Poland.

**Mr Ambrosie Bryant Chukwueloka Orjiako**

*Appointments held in French companies*

Mr Ambrosie Bryant Chukwueloka Orjiako has been a member of the board of directors of Maurel & Prom since 31 March 2010.

*Appointments held in foreign companies*

Mr Ambrosie Bryant Chukwueloka Orjiako is chairman and director of Seplat. He is also chairman of Shebah Exploration and Production Company Limited and chairman and director of various Nigerian companies, including Zebra Energy Limited, Shebah Marine Services Limited and Neimeth International Pharmaceuticals Plc.

In 2009, he served as chairman and chief executive officer of Shebah Exploration and Production Company Limited. He was also chairman and chief executive officer of Ordrec Investments Limited.

**Mr Alexandre Vilgrain**

*Appointments held in French companies*

Mr Alexandre Vilgrain was a member of the Maurel & Prom supervisory board as from 18 August 2005 and has been a member of its board of directors since 14 June 2007.

Mr Alexandre Vilgrain has been chairman and CEO of Somdiaa since fiscal year 2006 (he has also been Somdiaa's permanent representative on the Sominform board of directors since fiscal year 2009) and of Conetrage and Alexandre Vilgrain Holding since fiscal year 2009.

In fiscal year 2006, Mr Alexandre Vilgrain was Somdiaa's representative on the board of directors of CIAN (*Conseil Français des Investisseurs in Afrique*) and served as an observer in 2007. Since 2008, he has been chairman of the CIAN board of directors.

Since fiscal year 2009, he has been chairman of the Fromentiers de France board of directors.

Since fiscal year 2008, he has been a director of Care France and has been director of Secria and Sonopros since 2009.

Lastly, Mr Alexandre Vilgrain has been the general manager of Fromimo and a member of the CFAO supervisory board since 2009.

#### *Appointments held in foreign companies*

Mr Alexandre Vilgrain has been chairman and CEO of Saris-Congo since fiscal year 2009 and of Le Grand Moulin Du Cameroun (SGMC) since fiscal year 2010 (he was formerly a director of this company in 2009 and chairman of its board of directors in fiscal years 2006-2008).

He was a director in fiscal years 2006, 2007, 2008, 2009 and 2010 of the Gabonese company SMAG, Société Sucrière du Cameroun (SOSUCAM), Compagnie Sucrière du Tchad (CST), the US company Food Research Corporation and SUCAF Côte d'Ivoire.

#### *14.1.1.2 Chief Executive Officer*

In accordance with Article 20 of the articles of association, the board of directors appointed, on 22 September 2011, Mr Michel Hochard as CEO of the Company.

Mr Michel Hochard is graduated from the *Institut Commercial de Nancy* (ICN).

Mr Michel Hochard is a qualified accountant and has worked as an internal auditor in the finance department of Elf Aquitaine and in the finance division of Africa Middle-East, as financial director at the SNEAP and then at ELF Aquitaine Production. He was director of operations for Price Waterhouse Cooper BPO. He has also been the administrative and financial manager of Maurel & Prom since September 2007.

Mr Michel Hochard has also been a director of Seplat since 14 December 2009.

#### *14.1.1.3 Management bodies*

As at the date of this prospectus, the Company has no Deputy CEOs.

#### *14.1.1.4 Family ties*

As at the date of this prospectus, there are no family ties between the members of the board of directors and the CEO.

#### *14.1.1.5 Judicial information*

To the best of the Company's knowledge, as at the date of this prospectus and for at least the past five years, no member of the board of directors or former member of the management board or supervisory board has ever been:

- convicted of fraud;
- involved, as an executive or non-executive corporate officer, in any insolvency, seizure or liquidation proceedings;
- prevented by a court from acting as a member of management or supervisory body of an issuer or from being involved in managing or conducting the affairs of an issuer;
- the subject of an official public sanction imposed by a statutory or regulatory authority (including designated professional bodies), with the exception of Jean-François Hénin, who was ordered:
  - by the Budget and Financial Discipline Court in the Altus Finance case to pay a fine (judgment of 24 February 2006) and who, following the approval of a settlement procedure (a US procedure allowing the defendant to maintain his/her innocence while agreeing, depending on the circumstances, to plead guilty to the charges brought in order to end the prosecution) reached in July 2006 in the Executive Life case, had to pay a fine of USD 1 million and has been banned from US territory for a period of five years. Lastly, in the Altus Finance case, the Paris *Tribunal de Grande Instance*, in a judgment delivered on 14 May 2008, acquitted Mr Hénin of all charges against him; and
  - by the AMF enforcement committee, which, in a decision dated 4 December 2008, ordered Maurel & Prom and Mr Hénin, who was chairman of its management board at the time of the events, to pay fines of EUR 300,000 and EUR 200,000 respectively for failing to disclose accurate, fair and precise information to the public in two statements released on 10 June and 26 October 2005. The statement published in June 2005 included the share held by third parties of oil reserves that the Company had just acquired and therefore distorted the price per barrel announced to the public. The statement published in October 2005 indicated a lower amount of reserves and attributed the difference to a change in calculation criteria and the adoption of IFRS principles without explicitly mentioning the fact that it had erred in including the third-party share in the June statement. The enforcement committee stressed the importance for an oil and gas exploration and production company of making a fundamental distinction between its own share and third-party shares and the evident anomaly caused by including the third-party share in the price calculation. Furthermore, the AMF enforcement committee disciplined Mr Frédéric Boulet, the former CEO of Maurel & Prom. Both Mr Hénin personally and Maurel & Prom appealed this decision under Articles R. 621-44 to R. 621-46 of the French Monetary and Financial Code. The Paris Court of Appeal, in a judgment dated 2 February 2010, dismissed the appeal against the AMF enforcement committee's decision. Mr Hénin personally and Maurel & Prom have decided not to lodge a further appeal with the *Cour de Cassation* [the French Supreme Court].

#### 14.1.1.6 Committees

On 22 September 2011, the board of directors approved, subject to the non-retroactive condition precedent of admission to trading of the Company's shares on the regulated market of NYSE Euronext in Paris, internal rules providing for the establishment of specialized committees: an audit committee and an appointments and compensation committee. The members, the operating procedures and the powers of the specialised committees are described in section 16.3 of this prospectus.

#### 14.1.2 Members of Seplat's management and supervisory bodies

Seplat is a company limited by shares incorporated in Nigeria. It is managed by a board of directors and a CEO. A brief description of the governance model and powers of Seplat's board of directors can be found in section 6.3.5.2 of this prospectus.

##### *14.1.2.1 Board of directors*

Seplat's board of directors is composed of five members, including two directors representing Shebah, one director representing Platform and two directors representing the Company.

If Seplat's shareholders decide to increase the number of directors, each shareholder is entitled to appoint additional directors pro rata with its equity interest in Seplat. Each of Seplat's shareholders is free to dismiss the director(s) they have appointed, subject to notice of their decision to the other shareholders.

The chairman shall be a director of Shebah or Platform. At the date of this prospectus, the chairman of the board of directors has been, since 3 March 2010, Mr Ambrosie Bryant Chukwueloka Orjiako, a director appointed by Shebah.

At the date of this prospectus, the members of the board of directors are as follows:

##### **Mr Ambrosie Bryant Chukwueloka Orjiako, age 51, chairman**

Mr Ambrosie Bryant Chukwueloka Orjiako's biography can be found in section 14.1.1.1(a) of this prospectus on positions held in the Company.

##### **Mr Alhaji Nasir Ado Bayero, age 44, director**

Mr Alhaji Nasir Ado Bayero has been a director of Seplat since 5 March 2010. He has a Bachelor of Arts degree in mass communication and a language certificate in German.

He has over 20 years' experience in various private and public sectors in Nigeria, particularly the banking and oil and gas sectors. After working for Continental Merchant Bank, he worked in the oil and gas sector for Coastal Corporation (Oil & Gas Company) and Hamlet Investment Inc, in Houston and London respectively. He then worked for the president's office in Abuja.

He is currently a director of Intel (Oilfield) Services Nigeria Ltd., Barton Bay Nig. Ltd. and Sofitel Hotel Abuja and is also the District Head of Nassarawa in Kano State.

##### **Mr Jean-François Hénin, age 67, director**

Mr Jean-François Hénin's biography can be found in section 14.1.1.1(a) of this prospectus on positions held in the Company.

##### **Mr Michel Hochard, age 61, director**

Mr Michel Hochard's biography can be found in section 14.1.1.2 of this prospectus on positions held in the Company.

##### **Mr Macaulay Agbada Ofurhie, director**

Mr Macaulay Agbada Ofurhie has been a director of Seplat since 14 December 2009. He has a Bachelor of Science degree from the University of Ibadan in Nigeria.

He has over 30 years' experience in the oil and gas sector in Nigeria. Now retired, he has held a number of executive appointments in the course of his career with the Nigerian National Petroleum Corporation (NNPC) and the directorate of petroleum resources. He was formerly CEO of the Nigerian Petroleum Development Company and Nigeria Gas Company, both subsidiaries of the NNPC.

#### *14.1.2.2 Managing director*

At a meeting held on 3 March 2010, the board of directors appointed Mr Augustine Ojunekwu Avuru as the managing director of Seplat.

Mr Augustine Ojunekwu Avuru's biography can be found in section 14.1.1.1(a) of this prospectus on positions held in the Company.

### **14.2 Potential conflicts of interest in the Company's administrative bodies and executive management**

Under Articles L. 225-38 and L. 225-40 of the French Commercial Code, Jean-François Hénin is interested in two service agreements entered into between the Company and Seplat (see section 19.2 of this prospectus) and between the Company and Maurel & Prom (see section 19.1 of this prospectus).

Indeed, Mr Hénin is both a director and chairman of the board of the Company, chairman and CEO of Maurel & Prom and a director of Seplat. In addition, he is also a Maurel & Prom shareholder through Pacifico and will become, if the Distribution is completed, a Company shareholder through Pacifico.

Consequently, the aforementioned two agreements have been submitted to the prior authorisation of the board of directors and to the approval of the Company's shareholders general meeting as part of the "related party" agreements procedure.

In addition, Mr Xavier Blandin, Ms Nathalie Delapalme, Mr Emmanuel de Marion de Glatigny, Mr Ambrosie Bryant Chukwueloka Orjiako and Mr Alexandre Vilgrain, who are directors of the Company, are also directors of Maurel & Prom.

With the exception of the foregoing and to the best of Company's knowledge, at the date of this prospectus there are no potential conflicts of interest concerning (i) members of the board of directors appointed at the ordinary general meeting of 15 November 2010, co-opted at the board meeting of 22 September 2011 or appointed at the ordinary general meeting of 7 October 2011 between their duties toward the Company and private interests, and (ii) the CEO, Mr Michel Hochard, between his duties toward the Company and his private interests.

Lastly, it should be noted that the Company's board of directors, acknowledged, at the meeting held on 22 September 2011, that, as of the date of such meeting, four directors satisfied the independence criteria provided for in the recommendations of the Middlednext corporate governance code. Furthermore, directors have an obligation to contribute toward proper governance as defined in the Middlednext corporate governance code (code of conduct adopted by the board members).

## **15. COMPENSATION AND BENEFITS**

### **15.1 Compensation and benefits in kind**

No corporate officer of the Company received any compensation from the Company in 2010 on any basis whatsoever.

#### 15.1.1 Non-executive corporate officers

Members of the Company's board of directors will receive, as of this fiscal year, attendance fees, which are voted at the ordinary general meeting of the shareholders. The shareholders' meeting of the Company decided on 7 October 2011 to grant attendance fees for a total amount of EUR 150,000 to the directors for the 2011 fiscal year.

The allocation of the attendance fees will be made by the Company's board of directors, on the proposal of the appointments and compensation committee.

Non-executive corporate officers of the Company do not receive any benefits in kind.

#### 15.1.2 Executive corporate officers

The Company's board of directors, based on the proposal of the appointments and compensation committee, will determine the compensation of executive corporate officers.

This compensation will concern only one person in the Company, namely the CEO.

Until the establishment of the appointments and compensation committee which will become effective as from the admission to trading of the Company's shares on the regulated market of NYSE Euronext in Paris, the board of directors decided, with the approval of the CEO, not to allow any compensation to the CEO.

Executive corporate officers of the Company receive no benefits in kind.

Executive corporate officers of the Company receive no compensation or benefits other than those described in this section of the prospectus and are not entitled to any severance payments or any other amount that may be payable as a result of their departure from the Company.

### **15.2 Provisions recorded by the Company and its subsidiaries for pensions, retirement or similar benefits to managers**

There is no specific retirement plan for the managers, who will benefit from the same retirement plans as those applicable to future Company employees.

Furthermore, the ordinary general meeting of 7 October 2011 authorised the Company's board of directors, subject to the condition precedent of the admission of the Company's shares to trading on the regulated market of NYSE Euronext in Paris and their initial admission, to issue free shares to eligible employees and corporate officers, subject to a limit of 1% of the share capital. Consequently, as at the date of this prospectus, no free shares have been granted to any managers or corporate officers.

## 16. FUNCTIONING OF MANAGEMENT BODIES

### 16.1 Appointments of members of management bodies

The following table shows the dates on which the Company's managers were first appointed and the dates on which their terms of office are due to expire.

Names	Date of appointment	Date on which term of office expires	Duties
Jean-François Hénin	15 November 2010	General meeting approving the 2012 financial statements	Director/ Chairman
Emmanuel de Marion de Glatigny	15 November 2010	General meeting approving the 2012 financial statements	Director
Alexandre Vilgrain	15 November 2010	General meeting approving the 2012 financial statements	Director
Xavier Blandin	22 September 2011	General meeting approving the 2013 financial statements	Director
Nathalie Delapalme	7 October 2011	General meeting approving the 2013 financial statements	Director
MACIF, represented by Gérard Andreck	7 October 2011	General meeting approving the 2013 financial statements	Director
Ambrosie Bryant Chukwueloka Orjiako	7 October 2011	General meeting approving the 2013 financial statements	Director
Augustine Ojunekwu Avuru	7 October 2011	General meeting approving the 2013 financial statements	Director
Michel Hochard	22 September 2011	General meeting approving the 2011 financial statements	CEO

### 16.2 Information on the service contracts between members of management bodies and the Company or any of its subsidiaries

There are no service contracts between members of management bodies and the issuer or any of its subsidiaries that grant benefits to such members.

### 16.3 Committees of the board of directors

#### 16.3.1 Audit committee

##### 16.3.1.1 *Composition of the audit committee*

In accordance with Article 6.1 of the internal rules of the board of directors, adopted by the board on 22 September 2011, subject to the non-retroactive condition precedent of admission to trading and initial trading of the Company's shares on the regulated market of NYSE Euronext in Paris, the audit committee will be composed of three directors selected by the board of directors from among its members, the objective being that at least two thirds of the said committee be composed of independent directors. At its meeting held on 2 November 2011, the board of directors elected the

following members, whose appointment will become effective as from admission to trading and initial trading of the Company's shares on the regulated market of NYSE Euronext in Paris:

- Mr Xavier Blandin, independent director,
- Mr Emmanuel de Marion de Glatigny, director, and
- Ms Nathalie Delapalme, independent director.

The chairman of the audit committee is elected by his/her peers. The directors exercising management functions within the Company cannot be members of the audit committee.

The members of the audit committee are appointed for a term commensurate with their term of office as a member of the board of directors (this option was selected by the Company's board of directors on 2 November 2011 for the members identified above) or for a term set by the board of directors. Nevertheless, they may resign at any board meeting without reason or prior notice.

#### *16.3.1.2 Role of the audit committee*

The general role of the audit committee, as defined by the internal rules of the board of directors, adopted by the board on 22 September 2011, subject to the non-retroactive condition precedent of admission to trading and initial trading of the Company's shares on the regulated market of NYSE Euronext in Paris, is to assist the board of directors by providing it with all necessary information and resources to ensure the quality of internal controls and the reliability of the financial information provided to shareholders and the financial markets. The main duties of the audit committee include but are not limited to the following:

- monitoring the process of preparing financial information;
- reviewing the individual and consolidated financial statements of the Company;
- verifying the appropriateness and consistency of the accounting methods used (i) to prepare the individual and consolidated financial statements and (ii) for the consolidation base;
- reviewing major transactions involving the risk of a conflict of interest between the Company and members of the board of directors;
- monitoring the legal compliance of the half-yearly, annual, consolidated and individual financial statements by the statutory auditors;
- monitoring the independence of the statutory auditors;
- reviewing the primary risks to which the Company is exposed and the solutions applied by the Company to address them;
- monitoring the effectiveness of the internal control and risk management systems and reviewing the report on these subjects prepared by the chairman of the board of directors for the shareholders' meeting;
- examining any subject that could have a significant impact on the content and presentation of the financial statements.

The audit committee issues a recommendation on the statutory auditors proposed to be appointed by the shareholders' meeting.

It reports regularly on its work to the board of directors and informs the latter immediately of any problem encountered.

The audit committee meets as often as it deems necessary or appropriate, at the invitation of anyone of its members, at least twice a year and in all cases before the meeting of the board of directors held to approve the financial statements. At least one half of its members must be present for its deliberations to be valid.

The resolutions of the audit committee are adopted by majority approval of the members attending the meeting. Each member has one vote. In the event of a tied vote, the chairman has a casting vote. The audit committee may issue non-binding written or verbal recommendations for the board of directors. The members of the audit committee may, as part of their duties, interview the Company's officers, including the CEO.

### 16.3.2 Appointments and compensation committee

#### *16.3.2.1 Composition of the appointments and compensation committee*

In accordance with Article 6.1 of the internal rules of the board of directors, adopted by the board on 22 September 2011, subject to the non-retroactive condition precedent of admission to trading and initial trading of the Company's shares on the regulated market of NYSE Euronext in Paris, the appointments and compensation committee will be composed of three directors selected by the board of directors among its members or parties from outside the Company who are recognised for their expertise, the objective being that at least half of the said committee be composed of independent directors. At its meeting dated 2 November 2011, the board of directors elected the following members, whose appointment will become effective as from admission to trading and initial trading of the Company's shares on the regulated market of NYSE Euronext in Paris:

- Mr Emmanuel de Marion de Glatigny, director;
- Mr Alexandre Vilgrain, independent director; and
- Ms Nathalie Delapalme, independent director.

The chairman is elected by the members of the appointments and compensation committee for a term of one year, except decided otherwise. The directors exercising management functions within the Company cannot be members of the appointments and compensation committee.

Appointments and compensation committee members who also sit on the board of directors are appointed for the term of their board appointment. Members who are not board members are appointed for a term of one year, automatically renewable. Nevertheless, they may resign at any board meeting without reason or prior notice.

#### *16.3.2.2 Role of the appointments and compensation committee*

##### (a) Selection and appointment

The chairman works with the appointments and compensation committee.

### **Applicants for director positions**

The appointments and compensation committee may make suggestions and issue opinions on individual candidates, whether independent or not, for the Company's director positions.

### **Applicants for executive corporate officer positions (CEO/deputy CEO)**

The appointments and compensation committee may make suggestions and issue opinions on candidates for the Company's executive corporate officer positions.

The committee has to establish a succession plan for executive corporate officers in the event of unforeseen vacancies.

### **Recruitment of managers who are not corporate officers**

The board of directors may seek the opinion of the appointments and compensation committee when recruiting or dismissing a manager who is not a corporate officer.

(b) Duties relating to compensation

### **Compensation of executive corporate officers**

The appointments and compensation committee prepares suggestions on the compensation of executive corporate officers (amount of fixed and variable compensation, if any).

The committee bases its suggestions regarding the compensation of executive corporate officers on factors such as thoroughness, balance between compensation components, benchmarks, consistency, clarity of rules, moderation and transparency.

The committee also makes recommendations with regard to pensions and insurance systems, benefits in kind and rights to various pecuniary benefits for managers and corporate officers and the financial conditions of their departure from the Company.

The committee makes its suggestions at the beginning of each fiscal year for the year in progress. In particular, at the beginning of each year, the committee issues an opinion on compensation components, corporate benefits and benefits in kind of the chairman and/or the CEO, in compliance with regulations and market conditions and in the best interests of the Company.

### **Compensation policy for managers who are not corporate officers**

The appointments and compensation committee ensures that the compensation policy for managers who are not corporate officers of the Company is consistent with market practices and in the Company's best interests.

### **Breakdown of attendance fees and exceptional compensation**

Each year, the appointments and compensation committee is responsible for determining (i) the overall amount of attendance fees to be submitted to the shareholders' meeting for approval and (ii) the procedure for the distribution of the attendance fees among the directors to be proposed to the board, taking into consideration, in particular, the attendance of the directors at board meetings and committees on which they sit, in addition to the amount of time they devote to their duties. The shareholders' meeting decided on 7 October 2011 to grant attendance fees to the directors for a total amount of EUR 150,000 for the 2011 fiscal year and the following fiscal years, unless a new decision of the shareholders' meeting decides otherwise.

The committee may also be asked to issue a prior opinion on any suggestions for exceptional compensation made by the board of directors for the compensation of any director to whom it has been assigned particular duties or given a special mandate, in accordance with Article L. 225-46 of the French Commercial Code.

## **16.4 Statement relating to corporate governance**

In the interests of transparency and public information, the board of directors decided on 22 September 2011, subject to the non-retroactive condition precedent of admission to trading and initial trading of the Company's shares on the regulated market of NYSE Euronext in Paris, pursuant to Article L. 225-37 of the French Commercial Code, to voluntarily adhere to the Corporate Governance Code for Small and Midcaps published by Middlednext in December 2009. The Company has decided to comply with all recommendations provided under this Code.

## **16.5 Internal control and risk management**

### **16.5.1 Internal control within the Company**

#### *16.5.1.1 Scope of internal control*

Prior to the admission of its shares to trading on the regulated market of NYSE Euronext in Paris, the Company was a wholly owned subsidiary of the Maurel & Prom Group and subject to the internal control procedures of companies listed on a regulated market and described in Maurel & Prom's 2010 Annual Report (see section 3.3 of Maurel & Prom's 2010 Annual Report).

In this respect, the Company has been subject to Maurel & Prom's internal control procedures, which it intends to maintain in place following the admission of its shares to trading on the regulated market of NYSE Euronext in Paris.

Internal control within the Company can be defined as all control policies and procedures designed to ensure:

- the reliability and truthfulness of accounting and financial data;
- the accuracy and completeness of accounting records;
- the implementation and optimisation of the Company's transactions;
- that the acts of management and implementation of transactions are consistent with the guidelines issued for the Company's activities by the corporate bodies and with the Company's values, standards and internal rules;
- adherence to applicable local laws and regulations;
- the safekeeping of the Company's assets.

The aim of the internal control procedures that the Company intends to implement will be to provide reasonable assurance of adherence to the rules and regulations, the securitisation of assets and the effectiveness of operations. It cannot provide an absolute guarantee that all risks will be totally eliminated.

Furthermore, the Company has no obligation to prepare a report on internal control for the fiscal year ended 31 December 2010 since the Company's shares were not traded on a regulated market at that time. The chairman of the board of directors and the statutory auditors will prepare a report on internal control pursuant to Article L. 225-37 of the French Commercial Code for the general meeting called in 2012 to approve the 2011 financial statements.

### *16.5.1.2 Risk management*

The Company intends to establish a risk identification and management system similar to that in operation within the Maurel & Prom Group, as described in Maurel & Prom's 2010 Annual Report (see section 3.3.1.3 of Maurel & Prom's 2010 Annual Report).

Risk management involves an understanding of the risks incurred due to the Company's business activities and the monitoring measures that must be established to prevent such risks. The main external risks are oil prices and the legal and political risks relating to Seplat's exploration and production zones, as described in section 4, "risk factors", of this prospectus.

The Company and Seplat have taken out insurance policies (see section 4.9 of this prospectus) tailored to the risks incurred in connection with the operations carried out.

### *16.5.1.3 Supervision of internal control procedures*

#### (a) Board of directors

The board of directors has always emphasised the importance that it places, along with its executive management, on internal control and its main areas of application.

#### (b) Audit committee

The audit committee is responsible for monitoring internal control measures, with priority placed on accounting and financial areas as well as other functions. The committee reports to the board of directors.

The main duties of the audit committee include:

- monitoring the process of preparing financial information;
- reviewing the individual financial statements and the consolidated financial statements of the Company;
- verifying the appropriateness and consistency of the accounting methods used (i) to prepare the individual and consolidated financial statements and (ii) for the consolidation base;
- reviewing important transactions involving the risk of a conflict of interest between the Company and members of the board of directors;
- monitoring the legal compliance of the half-yearly, annual, consolidated and individual financial statements by the statutory auditors;
- monitoring the independence of the statutory auditors;
- reviewing the main risks to which the Company is exposed and the solutions applied by the Company to address them;
- monitoring the effectiveness of the internal control and risk management systems and reviewing the report on these subjects prepared by the chairman of the board of directors for the shareholders' meeting;
- reviewing any subject that could have a significant impact on the content and presentation of the financial statements;

- implementing the Company's audit and internal control procedures.

The audit committee will rely on external consultants duly appointed for this purpose in addition to the services provided by Maurel & Prom under the transitional services agreement (see section 19.1.1 of this prospectus). The duties assigned will specifically take into account the assessment of the most significant risks. The weighting, contribution, priority and development of activities are the parameters that will be taken into consideration in risk assessment. The action plans decided upon following the audits will be regularly monitored by the audit committee.

(c) Executive management

The executive management has the particular task of defining the general principles governing internal control and ensuring their proper application.

(d) Statutory auditors

For all of the verifications they undertake, the statutory auditors carry out the necessary diligence proper to the professional work to ensure the preparation, treatment and consistency of the consolidated accounting and financial information.

They are informed in advance on the process for the preparation of the financial statements and present a summary of their work to the executive management, the audit committee and the board of directors.

The statutory auditors conduct the internal control audits deemed necessary as part of their responsibility for the certification of the financial statements and deliver their observations to the audit committee.

## 16.5.2 Seplat's internal control procedures

### *16.5.2.1 Scope of internal control*

Seplat's internal control can be defined as all control policies and procedures designed to ensure:

- control over and the efficiency of transactions;
- the reliability of financial information; and
- the legal and regulatory compliance of Seplat's operations.

Internal control consists of a set of rules aimed at:

- ensuring the proper functioning of Seplat's internal processes, particularly those contributing to the safekeeping of its assets (property, plant and equipment and intangible);
- faithfully recording all operations carried out by Seplat in order to guarantee complete and precise information is reported in accordance with the laws and regulations governing the oil and gas industry;
- implementing effective internal control procedures.

### *16.5.2.2 Implementation of internal control procedures*

Seplat's internal control is carried out by the head of business risk & controls under the supervision of the management committee.

An internal audit unit is responsible for independently assessing compliance with the procedures and rules adopted by Seplat.

Seplat's statutory auditors perform the internal control audits they deem necessary as part of their duties.

Seplat's internal control procedures consist of the following interdependent elements:

(a) Definition of objectives

Seplat's board of directors and management committee define the objectives for internal control, depending on the risks to which it is exposed. Seplat's objectives can be divided into three categories:

- strategic objectives,
- operational objectives,
- legislative and regulatory compliance objectives.

(b) Identification of an event

The head of business risk & controls performs an assessment of the internal and external events that could have an influence on the achievement of targets by identifying and distinguishing events with a negative effect on activities (risks) and those with a positive effect (opportunities).

(c) Risk assessment

The internal auditors assess the risks identified in terms of effect and probability of occurrence and quantify these risks in order to decide on the appropriate means of managing them.

(d) Risk response

Seplat's management committee chooses, on a case-by-case basis, the solution that seems most fitting in view of the risk encountered by adopting one of the following approaches: rejection, acceptance, reduction or sharing of the risk.

(e) Information and communication

All risk analysis results and activities are documented in regular reports to the internal auditors and the head of business risk & controls. Information is sent to the various departments concerned to allow decisions to be made rapidly.

### *16.5.2.3 Supervision of internal control procedures*

Seplat's board of directors, which also defines ethical standards (company values, code of conduct), is responsible for overseeing internal control procedures.

Seplat's internal control system is constantly subject to quality control and performance checks. The effectiveness of internal control is guaranteed by regular performance checks, a secure IT system, an internal organisation that is subject to approval and authorisation and the sharing of tasks and responsibilities.

## 17. EMPLOYEES

As at the date of this prospectus, the Company has no employees. The necessary recruitments or (potential) transfers of employees are currently taking place to ensure that the Company can operate independently following the Distribution and its exit from the Maurel & Prom Group.

In the meantime, the Company will continue to benefit from the expertise and assistance of Maurel & Prom in the exploration and exploitation of hydrocarbon fields pursuant to a transitional services agreement concluded on 2 November 2011 under which Maurel & Prom has undertaken to carry out any technical work and assignments that could be required by the Company (see section 19.1.1 of this prospectus). This agreement will enter into force on the date of admission of the Company's shares to trading on Euronext NYSE in Paris and will run for twelve months. It may be renewed once at the request of the Company.

This transitional period will allow the Company to find and recruit quality staff with the requisite expertise in the fields of exploration and production.

In addition, as at the date of this prospectus, Seplat has 165 employees. The following table shows the distribution of Seplat's workforce:

Functions	Current number of employees
Chairman's office	5
CEO's office	4
Corporate services	16
Finance	13
IT services	5
Commercial / Development of new activities	6
Legal	4
Operational (support)	18
Health, safety, environment, security and corporate social responsibility / Relations with the communities	14
Planification / Economics	2
Operational	2
Production	39
Drilling / Completion	7
Engineering	18
Development of assets	12
<b>TOTAL</b>	<b>165</b>

## **18. PRINCIPAL SHAREHOLDERS**

### **18.1 Principal shareholders**

As at the date of this prospectus, all of the Company's share capital and voting rights are held by Maurel & Prom.

Immediately after the Distribution, the Company's shareholding base will be as shown in the following table, which has been prepared for information purposes only based on the share capital of Maurel & Prom<sup>10</sup> as at 31 July 2011:

<b>Shareholder</b>	<b>Number of shares</b>	<b>Percentage of share capital</b>	<b>Percentage of voting rights</b>
Pacifico SA	28,749,616	24.97	24.97
MACIF	8,324,204	7.23	7.23
Employees	790,887	0.69	0.69
Other	77,266,789	67.11	67.11
<b>Total</b>	<b>115,131,496</b>	<b>100</b>	<b>100</b>

### **18.2 Principal shareholders' voting rights**

The voting rights attached to equity or dividend shares are proportional to the portion of the share capital they represent. Each share carries the right to one vote.

However, Article 11 paragraph 7 of the Company's articles of association, which will go into effect on the date the Company's shares are listed on the NYSE Euronext regulated market in Paris and of their first day of trading, provides for a double voting right attached to fully paid-up shares with evidence of registration in the Company's records in the name of the same shareholder for at least four years without interruption from the date on which they were fully paid up.

### **18.3 Control of the Company – shareholders' agreement**

As at the date of this prospectus, the Company is 100% controlled by by Maurel & Prom.

After the transaction described in section 26.1 of this prospectus, Maurel & Prom will no longer hold any shares in the Company, and Macif and Pacifico (companies controlled by Mr Jean-François Hénin, chairman and CEO of Maurel & Prom, and his family with over 99% of the share capital and voting rights) will each hold, directly or indirectly, more than 5% of the Company's share capital and/or voting rights.

After the transaction described in section 26.1 of this prospectus, the Company will not, to the best of its knowledge, be controlled (within the meaning of Article L. 233-3 of the French Commercial Code) by any shareholder.

### **18.4 Agreements that could lead to a change in control**

As at the date of this prospectus, there is, to the best of Company's knowledge, no shareholders' agreement or any other arrangement that could lead to a change of control of the Company.

<sup>10</sup> Aside from treasury shares held by Maurel & Prom, these shares do not entitle their holders to the Distribution.

## 19. RELATED PARTY TRANSACTIONS

The Company and Seplat have entered into the agreements described below with their direct and indirect shareholders.

### 19.1 Maurel & Prom Nigeria

#### 19.1.1 Transitional services agreement

##### *19.1.1.1 Overview*

On 2 November 2011, Maurel & Prom and the Company entered into a transitional services agreement (the "**Transitional Services Agreement**") governed by French law, under the terms of which Maurel & Prom has undertaken, for a period of 12 months as from the listing of the Company's shares on the NYSE Euronext regulated market in Paris and renewable once at the Company's request, to provide the Company and Seplat with a certain number of administrative and operational services and in particular all of the services set out in the Technical Services Agreement described in section 19.2.1 of this prospectus.

##### *19.1.1.2 Services provided*

#### (a) Services provided by Maurel & Prom to the Company

Under the Transitional Services Agreement, Maurel & Prom has undertaken to provide the Company with transitional services (the "**Transitional Services**") to allow the Company to operate independently. The Transitional Services include:

- the management of financial and fiscal services,
- assistance in applying for regulatory permits,
- administration, corporate policy and organisation,
- management of intellectual and industrial property rights,
- the supply of movable and immovable assets,
- the implementation of important operating agreements,
- the implementation of inter-group agreements,
- the management of administrative, legal and employment functions.

#### (b) Services provided by Maurel & Prom to Seplat for and on behalf of the Company

Maurel & Prom has undertaken to provide Seplat, for and on behalf of the Company, with all of the services set out in the Technical Services Agreement described in section 19.2.1 of this prospectus, namely the Consultancy Services, the Technical Services and the Additional services Services (as defined in section 19.2.1 of this prospectus).

#### (c) Additional services

Furthermore, additional services (the "**Additional Services**") may be requested by the Company from Maurel & Prom on its behalf or on behalf of Seplat. The fee conditions and the terms under which the Additional Services will be provided will be subject to an agreement between Maurel & Prom and the Company.

#### *19.1.1.3 Remuneration*

Each service rendered will be invoiced by Maurel & Prom to the Company at cost price plus a margin of 6%.

#### *19.1.1.4 Term of the contract*

The Transitional Services Agreement will be valid for a period of 12 months and will come into force as from the admission to trading of the Company's shares on the regulated market of NYSE Euronext in Paris. It will be renewable at the Company's request for a further 12-month period.

The Transitional Services Agreement can be terminated at any time by the Company, subject to a 30-day notice.

### **19.2 Seplat**

Nigerian law provides a specific procedure for "regulated" contracts. Any manager who has a direct or indirect interest in concluding a contract with a company by which he or she is employed is under an obligation to disclose the nature of that interest at the next board meeting. Failure to do so constitutes an offence and the manager may be ordered to pay a fine of NGN 100 (less than USD 1).

To the best of the Company's knowledge, there are four agreements between related parties as described below.

#### 19.2.1 Technical services agreement between Seplat and the Company

##### *19.2.1.1 Overview*

On 31 July 2010, Seplat and Maurel & Prom entered into a technical services agreement (the "**Technical Services Agreement**"), governed by English law, under the terms of which Maurel & Prom has undertaken to provide the services that will enable Seplat to fulfil its obligations as operator under the joint operating agreement relating to the exploitation of OMLs 4, 38 and 41. According to an amendment agreement dated 26 September 2011, the Company will be substituted for Maurel & Prom as Seplat's co-contracting party in the Technical Service Agreement as from the admission to trading of the Company's shares on the regulated market of NYSE Euronext in Paris (Mr Jean François Hénin is a director of both Seplat and the Company).

##### *19.2.1.2 Services provided and compensation*

#### (a) General consultancy services

Under the Technical Service Agreement, the Company provides Seplat with general services (the "**General Services**") concerning (i) management, (ii) project management (including related services) and (iii) financial services. More specifically, the General Services include:

- research and development,
- information technology,
- administration, corporate policy, organisation, training and personnel,
- finance, accounting, insurance and taxation,
- legal affairs and negotiations (including the management contract),
- management, supervision and planning.

To fulfil its obligations, the Company places employees on secondment with Seplat to fill the following positions: (i) technical manager, (ii) financial manager and (iii) geologists, geophysicists and reservoir engineers. The Company may also second other experts, if necessary.

Each year, the Company and Seplat jointly define the scope of the General Services (including the personnel on secondment) to be provided to Seplat and the fees due with regard to the provision of such services.

(b) Technical services

The Company also provides Seplat with technical services (the "**Technical Services**") and advises Seplat (i) on all communications with the Nigerian government and with the NNPC and NPDC, and (ii) on the terms of the local content contracts with Shebah Petroleum Development Company Limited and Platform Petroleum Limited and any other party.

The Technical Services include:

- petroleum engineering and exploration,
- exploitation and engineering,
- health, safety and environment issues,
- procurement (including the purchase of services and equipment as well as the related consultancy services),
- geology and geophysics,
- petroleum engineering,
- facilities engineering,
- selection of drillers and any other providers of key services,
- short-term work schedule and approval of the budget, including the five-year business plan,
- financial reporting to Seplat's managers and shareholders,
- the use of workstations and software by the Company's teams for the performance of the Technical Services.

The remuneration for these services is based on a fixed daily rate, the amount of which varies according to the qualifications and number of people involved in providing the services.

In fiscal year 2010 (more specifically from 31 July 2010, the date of conclusion of the Technical Service Agreement, until the end of the fiscal year on 31 December 2010), the amount invoiced in respect of services rendered by Maurel & Prom for Seplat under this agreement stood at USD 538,439.

(c) Additional services

Furthermore, Seplat may request additional services (the "**Additional Services**") from the Company. If Seplat wishes to receive Additional Services, it must reach an agreement with the Company on certain conditions, such as the price, the choice of personnel to perform these services and the timetable for the performance of these services.

(d) Service Progress Report

At Seplat's request, the Company will prepare and submit progress reports to Seplat on the progress of services to be provided and any other relevant information enabling Seplat to meet its obligations under the joint operating agreement.

(e) Liabilities

The agreement also provides that the Company may not be held liable for any damage or loss resulting from the services provided save where it is caused by gross negligence on the part of the Company or its representatives, employees or co-contracting parties. Under no circumstances may the Company be held liable for any damage or pollution of a reservoir or any environmental or collateral damage. The agreement further provides that the liability incurred by the Company thereunder may not exceed an amount corresponding to 100% of the amounts invoiced for the services.

*19.2.1.3 Transfer and subcontractors*

Subject to the prior written consent of the other party, the Company and/or Seplat may transfer the rights and obligations arising from the agreement.

In addition and if necessary, the Company is entitled to subcontract certain services provided that it (i) notifies Seplat of this decision in writing and (ii) retains the liability toward Seplat for the provision of the services.

*19.2.1.4 Termination of the agreement*

The Technical Service Agreement will end on the earliest of the following dates:

- the termination date of the joint operating agreement,
- five years from the Completion Date of the agreement; the parties can decide by mutual agreement whether or not to renew or to renegotiate the agreement,
- the date on which the Company ceases to hold Seplat shares, and
- the unilateral termination of the Technical Service Agreement by the Company, subject to a 30-day notice.

19.2.2 Memorandum of understanding relating to the floating oil production, storage and offloading unit entered into between Seplat, Shebah Exploration and Production Company Limited and Allenne British Virgin Islands Limited

On 16 November 2010, Seplat entered into a preliminary memorandum of understanding with Shebah Exploration and Production Company Limited (an indirect shareholder holding 33% of Seplat via Shebah) and Allenne British Virgin Islands Limited (also an indirect shareholder of Seplat via Shebah) granting Seplat an exclusive option on the potential lease or acquisition of the Trinity Spirit floating production, storage and offloading ("**FPSO**") unit.

Seplat paid Shebah Exploration and Production Company Limited a USD 15 million deposit, as an advance payment to be set off against the acquisition or lease price of the FPSO or the price of treating oil via the FPSO to be agreed between the parties in the event of the conclusion of a final agreement. This amount will, as applicable, be repaid, without any financial penalty whatsoever, by the co-contracting party within 7 business days from Seplat's request if:

- Seplat decides not to buy the FPSO;
- Seplat decides not to lease the FPSO or decides not to use transportation, handling and delivery services via the FPSO for its crude oil production;
- the final price on which the parties agreed is below the amount of the deposited amount. In such a case, the difference between the final price and the amount of the deposited amount will be repaid to Seplat; or
- Shebah Exploration and Production Company Limited chooses, at its entire discretion, to repay the deposited amount if, within six months from the deposit, Seplat does not confirm its intentions to acquire or use the FPSO as contemplated.

On the date of this prospectus, negotiations are in progress with a view to entering into a final agreement.

#### 19.2.3 Memorandum of understanding for the identification, structuring and negotiation of potential investments in exploitation rights for oil and gas licenses in Nigeria and West Africa entered into between Seplat and Abbeycourt Petroleum Company Limited

On 22 March 2010, Seplat entered into a two-year memorandum of understanding with Abbeycourt Petroleum Company Limited ("**APCO**"), a company specializing in the oil and gas industry in Nigeria and in West Africa, and indirect shareholder in Seplat via Shebah, for the identification, structuring and negotiation of potential investments in exploitation rights for oil and gas licenses in Nigeria and West Africa. To enable APCO to complete this assignment, Seplat established a USD 25 million fund, managed by APCO. The purpose of the fund is to cover the expenses incurred by APCO in identifying and studying investment prospects and to grant Seplat a right of first refusal over the investment opportunities developed by APCO. On the expiry of the MOU or if it is terminated in advance, APCO will reimburse Seplat the difference between the USD 25 million and the expenses actually incurred by APCO as at the date of expiry or termination. On 30 June 2011, APCO had spent USD 6.25 million.

#### 19.2.4 Framework agreement for local content services entered into between Seplat, Shebah Petroleum Development Company Limited and Platform Petroleum Limited

On 10 November 2010, Seplat, Shebah Petroleum Development Company Limited and Platform Petroleum Limited entered into a framework agreement for local content services to enable Seplat to comply with the Nigerian Oil and Gas Industry Content Act 2010 when carrying out its obligations under the joint operating agreement.

The aim of the Nigerian Oil and Gas Industry Content Act 2010 is to improve the employment market in Nigeria and to make the oil industry an engine for growth in Nigeria. Accordingly, it imposes a minimum threshold on all operators, contractors or subcontractors working in the oil for the employment of Nigerian workers and use of Nigerian resources (see section 6.4.2 of this prospectus).

Under the framework agreement, Shebah Petroleum Development Company Limited and Platform Petroleum Limited undertook to provide or to procure via their affiliates local content support services to Seplat, namely, providing Nigerian labour, materials or equipment of Nigerian origin and specialised services using Nigerian suppliers. The indemnity clause provides that Seplat may only hold Shebah Petroleum Development Company Limited and Platform Petroleum Limited contractually liable under the agreement for a wilful breach in the performance of the agreement or in the services supplied (save where the breach is committed as a result of instructions from the government, authorities or the courts, or in order to save lives, protect property or joint activities or as a result of an error in judgment made in good faith by Shebah Petroleum Development Company Limited or Platform Petroleum Limited). Shebah Petroleum Development Company Limited and Platform Petroleum Limited may not be held liable for any damage caused to the reservoir, environmental damage, indirect losses or damage or loss of production or profits. The framework agreement also provides that Shebah Petroleum Development Company Limited and Platform Petroleum Limited may not be held liable for any amount exceeding the total amount invoiced by them under the agreement, even where the damage in question is due to negligence on the part of Shebah Petroleum Development Company Limited or Platform Petroleum Limited.

The agreement specifies that Seplat remains the operator of the joint operating agreement and that Shebah Petroleum Development Company Limited and Platform Petroleum Limited are merely providing it with support services as independent subcontractors.

The framework agreement provides that the content and cost of the local content services are to be determined annually on the establishment of the planning for the work programme and budget together with the terms and conditions for invoicing, re-invoicing and payment between Shebah Petroleum Development Company Limited and Platform Petroleum Limited, their subcontractors and Seplat.

It also defines the liability that may be attributed to Seplat, particularly environmental liability, in accordance with the provisions of the joint operating agreement, and specifies that using local content services supplied by Shebah Petroleum Development Company Limited and Platform Petroleum Limited does not discharge Seplat from liability.

The framework agreement is submitted to Nigerian law. Any disputes relating to the construction or performance of the agreement will go to arbitration, in accordance with the rules of the International Chamber of Commerce in Geneva (Switzerland), and the language of the arbitration will be English.

It entered into force on 29 January 2010 and has a term of 5 years (renewable with the agreement of the parties) or until the termination of the joint operating agreement or if Platform Petroleum Limited and/or Shebah Petroleum Development Company Limited are no longer shareholders of Seplat. Platform Petroleum Limited and/or Shebah Petroleum Development Company Limited may also terminate the agreement with 30 days' notice.

**20. FINANCIAL INFORMATION CONCERNING THE COMPANY'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**

**20.1 Past financial information**

20.1.1 Company past financial information

*20.1.1.1 Consolidated financial statements of the Company as at 31 December 2010*

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## I. STATEMENT OF FINANCIAL POSITION

### Assets

<i>In thousands of EUR</i>	Notes	31/12/2010	31/12/2009*
Intangible assets	4	62,724	0
Property, plant and equipment	5	72,351	0
Non-current financial assets	6	34,942	0
Deferred tax assets	17	1,818	0
<b>Non-current assets</b>		<b>171,835</b>	<b>0</b>
Customers and related accounts	7	14,403	0
Other current financial assets	7	52,612	0
Other current assets	7	907	0
Cash and cash equivalents	9	10,279	37
<b>Current assets</b>		<b>78,201</b>	<b>37</b>
Assets held for sale and discontinued operations		0	0
<b>Total assets</b>		<b>250,036</b>	<b>37</b>

\* Corporate financial statements in 2009

### Liabilities

<i>In thousands of EUR</i>	Notes	31/12/2010	31/12/2009*
Share capital	10	133,434	37
Consolidated reserves	10	(1,696)	0
Net income, Group share	10	1,445	(2)
<b>Equity, Group share</b>		<b>133,183</b>	<b>35</b>
Non-controlling interests		0	0
<b>Total net equity</b>		<b>133,183</b>	<b>35</b>
Non-current derivative instruments	13	8,163	0
Deferred tax liabilities	17	1,688	0
<b>Non-current liabilities</b>		<b>9,851</b>	<b>0</b>
Other current borrowings and financial debt	11	71,223	0
Trade payables and related accounts	12	6,873	2
Income tax payable	17	5,531	0
Other creditors and sundry liabilities	12	23,376	0
<b>Current liabilities</b>		<b>107,003</b>	<b>2</b>
<b>Total liabilities</b>		<b>250,036</b>	<b>37</b>

\* Corporate financial statements in 2009

## Changes in net equity

In thousands of EUR	Capital	Share premium	Other reserves	Currency translation adjustment	Income for the period	Net equity, Group share	Non-controlling interests	Total net equity
<b>1 January 2009</b>								
Net income					(2)	(2)		(2)
Other components of comprehensive income								
<b>Total comprehensive income</b>					<b>(2)</b>	<b>(2)</b>		<b>(2)</b>
Allocation of net income – dividends								
Increase/decrease in capital	37					37		37
<b>Total transactions with shareholders</b>	<b>37</b>					<b>37</b>		<b>37</b>
<b>31 December 2009</b>	<b>37</b>				<b>(2)</b>	<b>35</b>		<b>35</b>
<b>1 January 2010</b>								
	37				(2)	35		35
Net income					1,445	1,445		1,445
Other components of comprehensive income				(1,694)		(1,694)		(1,694)
<b>Total comprehensive income</b>				<b>(1,694)</b>	<b>1,445</b>	<b>(249)</b>		<b>(249)</b>
Allocation of net income – dividends			(2)		2			
Increase/decrease in capital	133,397					133,396		133,396
Fair value of OCEANE bonds								
Stock options – bonus shares								
Treasury share transactions						0		0
<b>Total transactions with shareholders</b>	<b>133,397</b>		<b>(2)</b>		<b>2</b>	<b>133,397</b>		<b>133,397</b>
<b>31 December 2010</b>	<b>133,434</b>		<b>(2)</b>	<b>(1,694)</b>	<b>1,445</b>	<b>133,183</b>		<b>133,183</b>

## II. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### 2.1 Net income for the period

<i>In thousands of EUR</i>	Notes	31/12/2010	31/12/2009*
<b>Sales</b>		28,480	0
Other income		0	0
Purchases and changes in inventory		(1,294)	0
Other purchases and operating expenses		(3,386)	(2)
Tax expenses		(6,758)	0
Personnel expenses		(1,598)	0
Amortisation charges		(3,910)	0
Other expenses		(2)	0
<b>Operating income</b>	<b>15</b>	<b>11,532</b>	<b>(2)</b>
Gross cost of debt		(6,036)	0
Net gain (loss) on derivative instruments		(1,925)	0
Net cost of debt		(7,961)	0
Other financial income and expenses		5,307	0
<b>Financial income</b>	<b>16</b>	<b>(2,654)</b>	<b>0</b>
<b>Income before tax</b>		<b>8,878</b>	<b>(2)</b>
Income tax	17	(7,433)	0
<b>Net income from consolidated companies</b>		<b>1,445</b>	<b>(2)</b>
<b>Earnings per share</b>			
Basic		0.09	0.00
Diluted		0.09	0.00

\* Corporate financial statements in 2009

### 2.2 Comprehensive income for the period

<i>In thousands of EUR</i>	31/12/2010	31/12/2009*
<b>Net income for the period</b>	<b>1,445</b>	<b>(2)</b>
<b>Other components of comprehensive income</b>		
Currency translation adjustment	(1,694)	
<b>Total comprehensive income for the period</b>	<b>(249)</b>	<b>(2)</b>
- Group share	(249)	(2)
- Non-controlling interests	0	0

\*Corporate financial statements in 2009

### III. CASH FLOW STATEMENT

In thousands of EUR	Notes	31/12/2010	31/12/2009*
<b>Consolidated net income from continuing operations</b>		<b>1,445</b>	<b>(2)</b>
Tax expense for continuing operations		7,433	0
<b>Consolidated income from continuing operations before tax</b>		<b>8,878</b>	<b>(2)</b>
- Net increase (reversals) of amortisation, depreciation and provisions		3,933	0
- Unrealised gains (losses) due to changes in fair value		1,925	0
- Other financial items		6,036	0
<b>Cash flow before taxes</b>		<b>20,772</b>	<b>(2)</b>
Payment of tax due		(1,988)	0
Change in working capital requirements for operations		(66,102)	2
- Customers		(14,508)	0
- Suppliers		6,921	2
- Inventories		0	0
- Other		(58,515)	0
<b>Net cash flow from operating activities</b>		<b>(47,318)</b>	<b>0</b>
Disbursements for acquisitions of tangible and intangible fixed assets		(139,985)	0
<b>Net cash flow from investment activities</b>		<b>(139,985)</b>	<b>0</b>
Amounts received from shareholders for capital increases		133,397	37
Inflows from new loans		71,738	0
Interest paid		(6,036)	0
<b>Net cash flow from financing activities</b>		<b>199,099</b>	<b>37</b>
Impact of exchange rate variations		(1,555)	(2)
<b>Change in net cash</b>		<b>10,242</b>	<b>36</b>
Cash and cash equivalents at start of period		37	0
<b>Cash and cash equivalents at end of period</b>	<b>9</b>	<b>10,279</b>	<b>37</b>

## **NOTE 1: GENERAL**

Maurel & Prom Nigeria was formed by Etablissements Maurel & Prom on 15 October 2009 with a capital contribution of EUR 37,000. It received a EUR 133 million capital contribution in 2010 so that it could acquire, through Seplat, an interest in Nigeria's OMLs 4, 38 and 41. Currently, the sole asset of Maurel & Prom Nigeria is a 45% stake in the Nigerian company Seplat (the "Company"), giving it joint control of that Company. Maurel & Prom Group Nigeria (the "Group") is composed of the parent company and Seplat.

Through this shareholding, Maurel & Prom Nigeria has access to onshore OMLs which offer a balanced combination of production fields, fields for development, exploration opportunities and strong local involvement. Maurel & Prom Nigeria is thus favourably positioned to take advantage of the opportunities that Nigeria has to offer.

The remaining 55% of Seplat's capital is divided between the Nigerian companies Shebah (33%) and Platform (22%).

Seplat acquired a 45% stake in Nigerian onshore OMLs 4, 38 and 41 from Shell, Total and Agip on 30 July 2010, the remainder of the capital being held by the Nigerian National Petroleum Company (NNPC). This represented an investment of USD 340 million, with a maximum price adjustment of USD 33 million depending on oil prices in the two years following the acquisition.

Seplat financed this investment with a repayable advance of USD 153 million from Maurel & Prom Nigeria and a loan for USD 187 million arranged with BNP. Seplat has also received contributions from its shareholders in the amount of USD 88.9 million.

The assets acquired were in operation until 2008, when an incident disrupted the hydrocarbon transportation system and forced a shutdown. One of the primary objectives of the Group was to return the assets to production in order to provide a source of continuous cash flow. At the end of 2010, production at 100% represented 2.3 million barrels. Maximising production is now one of the Company's goals.

Seplat has operator status for OMLs 4, 38 and 41. These OMLs cover four developed fields (Oben, Amukpe, Ovhor and Sapele), nine undeveloped fields and a 24" pipeline with a capacity of 50 Mbb/d (Amukpe-Rapele section).

Seplat also entered into a transport and maintenance contract with Shell to carry oil to the Forcados terminal and a memorandum of understanding with Shebah and Alenne British Virgin Islands Limited concerning the possible leasing or acquisition of a floating oil production, storage and offloading unit (the Trinity Spirit FPSO unit).

## **NOTE 2: ACCOUNTING METHODS**

Maurel & Prom Nigeria has prepared consolidated financial statements for the first time in accordance with IFRS standards. The 2009 financial statements presented correspond to the individual financial statements of Maurel & Prom Nigeria, since at that point the Group only comprised one company.

The consolidated financial statements are prepared on a historical cost basis, except for certain categories of assets and liabilities, in accordance with IFRS principles.

Pursuant to European Regulation 1606/2002 of 19 July 2002 on international standards, the consolidated financial statements of the Maurel & Prom Group Nigeria for the year ended 31 December 2010 have been prepared in accordance with IAS/IFRS international accounting standards applicable on 31 December 2010, as approved by the European Union and available at <http://ec.europa.eu/internalmarket/accounting/iasfr.htm#adopted-commission>.

International accounting standards include IFRS (International Financial Reporting Standards), IAS (International Accounting Standards) and their interpretations (Standing Interpretations Committee and International Financial Reporting Interpretations Committee).

The Group has chosen not to apply the standards and interpretations which were not mandatory on 1 January 2010 before the effective date, including:

- IFRIC 19 – "Extinguishing financial debts with equity instruments", applicable to periods beginning on or after 1 July 2010.
- Amendment to IAS 32 – "Classification of rights issues", applicable to periods beginning on or after 1 February 2010.
- Amendment to IAS 24 – "Related party disclosures", applicable to periods beginning on or after 1 January 2011.
- Amendment to IFRIC 14 – "Prepayments of minimum funding requirements", applicable to periods beginning on or after 1 January 2011.
- Amendments to IFRS 1 – "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters", applicable to periods beginning on or after 1 July 2010.
- Amendment to IFRS 7 – "Disclosures – Transfers of financial assets".

IFRS principles have been applied by the Group consistently for all periods presented.

In order to prepare the consolidated financial statements in accordance with IFRS principles, the Group had to choose accounting options, make a certain number of estimates and select assumptions that affect the amounts of assets and liabilities, the notes on contingent assets and liabilities at year-end and income and expenses recorded during the period. New developments and circumstances could persuade the Company to revise these estimates.

The results obtained may significantly differ from these estimates when different circumstances or assumptions are applied.

In addition, when a specific transaction is not governed by a standard or interpretation, the Group's management uses its own discretion to define and apply the accounting policies that will provide relevant, reliable information. The financial statements present a fair view of the Group's financial

position, performance and cash flow, reflect the substance of transactions, are prepared in a prudent manner and are complete in all material respects.

Management estimates used when preparing financial statements relate primarily to impairment tests on petroleum assets.

## 2.1 Consolidation methods

Seplat, which is jointly controlled by Maurel & Prom Nigeria, is proportionally consolidated as a joint venture. The application of proportional consolidation means that the position of the joint venturer includes its share of jointly controlled assets and its share of the liabilities for which it is jointly liable. The statement of total income of the joint venturer includes its share of the income and expenses of the joint venture.

Intragroup balances, transactions, income and expenses are eliminated on consolidation, up to commensurate with the 45% stake held by Maurel & Prom Nigeria in Seplat.

## 2.2 Business combinations and goodwill

Business combinations are recorded according to the acquisition method. Thus, when control of a company is acquired, the assets, liabilities and contingent liabilities of the acquired company are assessed at fair value in accordance with IFRS principles.

If the cost of an acquisition is lower than the fair value of the net assets of the subsidiary acquired, the identification and valuation of the identifiable asset and liability elements are further analysed.

The residual badwill must be recorded directly under net operating income.

The analysis of goodwill must be finalised within a period of one year from the date of acquisition.

Such goodwill is not amortised, but rather subject to systematic impairment tests at each close, and any losses in value ascertained on goodwill are irreversible.

## 2.3 Oil activity assets

The following accounting methods were used to record the costs of oil-related activities.

### Oil search and exploitation rights

#### - Mining permits

Expenditures for the acquisition and allocation of mining permits are recorded as intangible assets and, during the exploration phase, amortised on a straight-line basis over the estimated duration of the permit and then during the development phase, at the amortisation rate for oil production facilities.

If the permit is withdrawn or the exploration fails, the remaining amortisation is recorded in a single posting.

#### - Acquisitions of reserves

Acquisitions of oil reserves are recorded as intangible assets and amortised according to the unit of production method based on proved and probable reserves.

The amortisation rate equals the ratio of the field's hydrocarbon production during the fiscal year to the proved and probable hydrocarbon reserves at the beginning of that same fiscal year, re-estimated based on an independent appraisal.

#### Exploration costs

The Group applies IFRS 6 for the recording of exploration costs. Hydrocarbon production fees and assets are recorded in accordance with the full cost method.

Exploration studies and work, including geology and geophysics costs, are entered on the asset side of the balance sheet under intangible assets.

Charges incurred prior to the issuance of the exploration permit are recorded as expenses.

Expenditures incurred after that date are capitalised and amortised once exploitation commences.

Drilling expenditures that do not result in a commercial discovery are recorded as expenses for the total amount incurred once the final decision has been taken to abandon work in the area concerned or in the connected area.

At the time of discovery, these costs then become operating costs, a portion of which is transferred to property, plant and equipment, depending on their nature.

Once an indicator of impairment arises (expiration of a permit, additional unbudgeted expenses etc.), an impairment test is carried out to verify that the carrying amount of the expenses incurred does not exceed the recoverable amount; this test is performed at least once per year.

Aside from indicators of impairment concerning operating expenses, impairment tests are carried out once the Maurel & Prom Nigeria Group has enough data (based on the outcome of appraisal wells or seismic research etc.) to determine technical feasibility and commercial viability; these tests are done at field level.

#### Oil production fixed assets

Oil production fixed assets include all exploration-related costs transferred to property, plant and equipment following discovery, as well as those relating to field development (production drilling, surface facilities, oil routing systems etc.).

These assets appear under the technical facilities heading (see Note 5).

Property, plant and equipment not terminated at fiscal year-end are recorded as current-year property, plant and equipment.

Terminated assets are amortised according to the unit of production method. General facilities that support all aspects of a field (pipelines, surface units etc.) are weighted by the [(proved)/(proved+probable)] reserves ratio, if it appears that they are designed to handle all proved and probable reserves of the field concerned. The amortisation rate equals the ratio of the field's hydrocarbon production during the fiscal year to the proved reserves at the beginning of that same fiscal year, re-estimated based on an independent appraisal.

For specific facilities, i.e. facilities for specific parts of a field, the estimated reserves correspond to the area's proved reserves.

The depreciation base consists of the investments made plus the future investments necessary for developing proved undeveloped reserves.

The reserves taken into account are the reserves determined on the basis of analyses conducted by independent organisations, to the extent that said analyses are available on the reporting date.

In accordance with IAS 23 R, the application of which is mandatory as of 1 January 2009, borrowing costs directly chargeable to the acquisition of an eligible asset are capitalised when the conditions set by the standard are met. If the standard is not met, borrowing costs are not included in the cost price of a fixed asset under construction.

#### Cost of site restoration

Provisions for site restoration are made when the Group has an obligation to dismantle and restore sites (see Note 2.15).

The adjusted site restoration expense is capitalised, added to the value of the underlying asset, and amortised at the same rate.

#### 2.4 Other intangible assets

The gross amount of other tangible assets corresponds to their acquisition or production cost. It is not revalued. Borrowing costs are capitalised when the asset in question meets the eligibility conditions as defined by IAS 23 R.

Amortisation is calculated on a straight-line basis, and the Amortisation term is based on the estimated useful life of the different categories of tangible assets using the following principles:

- fixtures and fittings: five years,
- transportation equipment: four years,
- office and computer equipment: three years, and
- office furniture: five years.

#### 2.5 Asset depreciation

When events indicate a risk of impairment of intangible and tangible assets, and in any case at least once a year, a detailed analysis of the assets will be conducted in order to determine whether their net carrying amount is lower than their recoverable amount, with the latter defined as the higher of fair value (less costs to sell) or value in use. Value in use is determined by discounting future cash flows expected to arise from the use of the asset and its disposal.

Assets are grouped into cash-generating units (CGUs) to determine their recoverable amount. A CGU is a homogeneous set of assets whose ongoing utilisation generates cash inflows that are largely independent of the cash inflows from other groups of assets. The three OMLs acquired correspond to a single CGU. The treatment and evacuation plants that comprise most of the tangible assets have in fact been designed on the basis of the production profiles of the three OMLs and not for any one field in particular.

Cash flows are determined in keeping with identified reserves, the related production profile and the discounted sale prices after taking into account the applicable tax.

The discount rate used takes into account the risk associated with the activity and its geographical location.

If the recoverable amount is lower than the net carrying amount, an impairment loss is recorded for the difference between these two amounts.

This impairment may be reversed according to the net carrying amount that the asset would have had on the same date, had it not been impaired. Impairment losses recorded on goodwill are irreversible.

## 2.6 Other non-current financial assets

Loans and financial receivables are initially recorded at fair value and are recorded in the balance sheet at their amortised cost. They may be written down if there is an objective indicator of impairment. This write-down, carried through profit and loss, may later be reversed under income if the conditions that led to such write-down cease to exist.

## 2.7 Inventories

Inventories are valued at acquisition or production cost. Production cost includes consumables and direct and indirect production costs.

Inventories are valued according to the FIFO ("First In First Out") method.

Hydrocarbon inventories are valued at production cost, including production and transportation costs and the depreciation of technical facilities.

A provision is created when the net realisable value is lower than the gross inventory value.

## 2.8 Trade receivables

Trade receivables are initially recognised at fair value.

At the reporting date, write-downs are made in the event of proven risk of non-recovery.

## 2.9 Foreign currency transactions

Expenses and income in foreign currencies are recorded at their equivalent value in the operating currency for the entity concerned at the transaction date. Debts, external financing, receivables and liquid assets in foreign currency are reported in the balance sheet at their equivalent value in the operating currency for the entity concerned based on the closing rate. Differences resulting from conversion into foreign currencies at this rate are carried on the income statement as other financial income or other financial expenses.

## 2.10 Currency translation of annual financial statements of foreign subsidiaries

The financial statements of foreign subsidiaries for which the operating currency is not the euro are converted into Euros using the closing rate method.

Asset and liability elements, including goodwill on foreign subsidiaries, are converted at the exchange rate in effect at the reporting date. Income and expenses are converted at the average rate for the period.

The consolidating company's share of currency translation adjustments recorded both on the initial balance sheet and the income statement are recorded to equity under "currency translation adjustments".

## 2.11 Derivative instruments

When acquiring the Nigerian assets, Maurel & Prom Nigeria recorded a derivative instrument corresponding to the conditional price adjustment (see Note 1: General). This transaction is recognised as follows:

- initially, the financial instrument is recorded at fair value as a counterpart to the asset;
- at year-end, the change in fair value is carried through profit and loss.

The fair value of the instruments taken out by the Group is determined according to appraisals by independent experts.

### Fair value hierarchy

IFRS 7 – "Financial instruments: disclosure" as amended in 2009 establishes a hierarchy for measuring fair value based on three levels:

- Level 1: the quoted prices for identical assets or liabilities (to those being measured) available on the valuation date in an active market to which the entity has access;
- Level 2: observable market inputs other than Level 1 prices;
- Level 3: inputs not based on observable market data (for example, extrapolations).

Level 3 applies when no market or observable data exists and the company is required to make its own assumptions when estimating the data that other market operators would have used to measure the fair value of the asset.

All fair value assessments are disclosed, according to level, in Note 13 to the consolidated financial statements.

## 2.12 Cash and cash equivalents

Cash equivalents correspond to short-term investments of surplus cash.

Purchases and sales of these assets are recognised on their settlement date.

## 2.13 Other borrowing

Other borrowing is initially recognised at fair value and is entered on the balance sheet at amortised cost. The effect of this is to post issuance expenses as a deduction against the initial fair value of the loan. Furthermore, financial expenses are calculated on the basis of the effective interest rate of the loan (i.e., the actuarial rate taking issuance expenses into account).

## 2.14 Fair value

For the purposes of presentation in accordance with IFRS 7 (see Note 8: Fair value):

- the fair value of loans and receivables is determined by discounting expected cash flows at the market rate in force on the reporting date; for receivables with a term of less than six months, the balance sheet amount represents a reliable approximation of fair value;

- the fair value of financial liabilities is determined by discounting the cash flows outstanding at the market rate in force on the reporting date, for debt with the same residual maturity. For trade payables, the balance sheet amount is a reliable approximation of fair value.

#### 2.15 Provisions for risks and contingencies

In accordance with IAS 37 – "Provisions, contingent liabilities and contingent assets", provisions are recognised when the Group has an obligation at year-end to a third party deriving from a past event, the settlement of which should result in an outflow of resources embodying economic benefits.

Provisions are adjusted when the effect of the adjustment is significant.

The site restoration obligation is recognised at the adjusted amount of the estimated cost or the contractual obligation for dismantlement; the impact of the passage of time is measured by applying a risk-free interest rate to the provisioned amount.

The effect of the readjustment is recorded under "Other financial expenses".

#### 2.16 Oil revenue

##### Hydrocarbon sales

Revenue from sales of production from oil fields that the Company operates includes royalties paid.

Revenue is recognised when the Company has transferred to the buyer the risks and benefits inherent in ownership of the assets, i.e. when the oil is collected from oil terminals.

#### 2.17 Income tax

The tax expense presented on the income statement includes the current tax expense (or income) and the deferred tax expense (or income).

Deferred taxes are recorded based on the temporary differences between the carrying amount of assets and liabilities and their tax basis. Deferred taxes are not adjusted. Deferred tax assets and liabilities are measured based on the tax rates approved on the reporting date.

Deferred tax assets, resulting primarily from losses carried forward or deferred amortisation, are not taken into account unless their recovery is probable.

To ascertain the Group's ability to recover these assets, the following elements in particular have been taken into account:

- the existence of sufficient temporary differences taxable by the same tax authority for the same taxable entity, which will create taxable amounts on which unused losses for tax purposes and tax credits may be charged before they expire, and
- forecasts of future taxable income allowing prior tax losses to be offset.

#### 2.18 Earnings per share

Two earnings per share are presented: basic net earnings per share and diluted earnings per share. The number of shares used for calculating diluted earnings per share takes into account the conversion into shares of instruments providing deferred access to the capital and having a dilutive

effect. Diluted earnings per share are calculated based on net income, Group share, adjusted by the financial cost, net of taxes, of dilutive instruments providing deferred access to the capital.

**NOTE 3: CHANGES IN THE COMPOSITION OF THE GROUP**

Company	Registered office	Consolidation method	% control	
			31/12/2010	31/12/2009
Maurel & Prom Nigeria	Paris	Consolidating company	Consolidating company	
<b>Oil and gas activities</b>				
Seplat	Lagos, Nigeria	Proportional consolidation	45.00%	N/A

Maurel & Prom Nigeria Group is composed of the parent company and a joint venture, Seplat, in which it has a 45% stake. Seplat's other shareholders are the Nigerian operators Platform Petroleum Limited (22%) and Shebah Petroleum Development Company Ltd. (33%).

On 26 August 2010, Seplat acquired 45% of the mining rights for OMLs 4, 38 and 41 in Nigeria, the remaining 55% belonging to the Nigerian National Petroleum Corporation (NNPC). The fields are operated by Seplat under a joint operating agreement with the NNPC.

Seplat is proportionately consolidated. The Group's control arises mainly from the agreement governing relations between Seplat shareholders, which requires the formal prior consent of Maurel & Prom Nigeria for all decisions made outside the normal course of business (such as bond issues, dividend distribution, purchase or sale of assets, capital increases and issuances of guarantees or security interests) and, in the normal course of business, for other major decisions (such as approval of work schedules, budgets and plans, selection of drilling and oil service providers, appointments to key positions, definition of insurance policies, disputes management and designation of members to represent the Company in the joint venture).

Maurel & Prom Nigeria has a right to veto these decisions until its shareholder loan to Seplat has been repaid in full; once this loan has been repaid, and Maurel & Prom Nigeria no longer has joint control over the joint venture, the latter will cease to be proportionately consolidated.

#### **NOTE 4: INTANGIBLE ASSETS**

##### **Changes in intangible assets**

<i>In thousands of EUR</i>	<b>Oil search and exploitation rights</b>	<b>Total</b>
<b>Gross value as of 31/12/09</b>	<b>0</b>	<b>0</b>
Exploration investments	63,980	63,980
Currency translation adjustment	(460)	(460)
<b>Gross value as of 31/12/2010</b>	<b>63,520</b>	<b>63,520</b>
<b>Cumulative amortisation and impairment as of 31/12/09</b>	<b>0</b>	<b>0</b>
Amortisation allowance	802	802
Currency translation adjustment	(6)	(6)
<b>Cumulative amortisation and impairment as of 31/12/10</b>	<b>796</b>	<b>796</b>
<b>Net carrying amount as of 31/12/2010</b>	<b>62,724</b>	<b>62,724</b>
<b>Net carrying amount as of 31/12/2009</b>	<b>0</b>	<b>0</b>

##### Exploration investments

Following the acquisition of the Nigerian assets, a value of EUR 63,980,000 has been placed on the oil search and exploitation rights.

##### Impairment tests

The tests performed by the group have confirmed the absence of impairment losses on intangible assets (see Note 5: "Property, plant and equipment").

## **NOTE 5: PROPERTY, PLANT AND EQUIPMENT**

### **Changes in property, plant and equipment**

<i>In thousands of EUR</i>	Land and buildings	Technical facilities	Down payments and construction in progress	Other fixed assets	Total
<b>Gross value as of 31/12/2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Development/production investments	189	72,688	1,640	1,488	76,005
Currency translation adjustment	(1)	(522)	(12)	(11)	(546)
Transfers	0	0	0	0	0
<b>Gross value as of 31/12/2010</b>	<b>188</b>	<b>72,166</b>	<b>1,628</b>	<b>1,477</b>	<b>75,459</b>
<b>Cumulative amortisation and impairment as of 31/12/2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Amortisation allowance	7	3,064	0	59	3,130
Currency translation adjustment	0	(22)	0	(1)	(23)
Transfers	0	0	0	0	0
<b>Cumulative amortisation and impairment as of 31/12/2010</b>	<b>7</b>	<b>3,042</b>	<b>0</b>	<b>58</b>	<b>3,107</b>
<b>Net carrying amount as of 31/12/2010</b>	<b>181</b>	<b>69,124</b>	<b>1,628</b>	<b>1,419</b>	<b>72,351</b>
<b>Net carrying amount as of 31/12/2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Development/production investments

Almost all investments made during the period correspond to acquisition of the technical facilities of OMLs 4, 38 and 41. These essentially consist of three production sites located at the Oben, Sapele and Amupke fields, two gasworks at Oben and Sapele, a barge at the Ovhor field able to process offshore drilling production, a hydrocarbon evacuation system and the equipment necessary to operate the facilities (pumps, compressors, generators, control instruments etc.).

### Impairment tests

The tests carried out cover all fixed assets and confirm the absence of impairment. The following method was applied:

The assets are grouped into cash-generating units (CGUs), which include all the tangible and intangible assets that contribute to generating cash flows (reserves, exploration expenses, industrial equipment).

Future cash flows are determined based on the production profiles of the reserves certified by Gaffney Cline.

The Group uses a probability of producing proved reserves (P1) of 100% and a probability of producing probable reserves (P2) of 50%.

With regard to future oil prices, Group management has favoured a price per barrel of USD 90, close to the year-end price. If the price per barrel were 25% lower than the favoured scenario (USD 90), this would not entail impairment.

A discount rate of 13% was used. A discount rate 25% higher would not entail impairment.

**NOTE 6: OTHER NON-CURRENT FINANCIAL ASSETS**

This item is composed of the portion due in more than one year of the financing provided by Maurel & Prom Nigeria to Seplat.

Taking into account the proportional consolidation of the subsidiary, the amount recognised in the Group's financial statements corresponds to 55% of the receivable (or the stake held by partners Shebah and Platform), or EUR 34,942,000.

This advance, which totalled USD 154 million (of which USD 84.9 million is long term) as at 31 December 2010, earns interest at the rate of 7.125%. It is expected to be repaid within three to five years, depending on the cash flow generated by the business.

Seplat is currently negotiating additional financing with a banking pool (see Note 23). Under the financing terms, it is highly probable that the new lenders will insist on seniority, which could delay repayment of our shareholder loan.

**NOTE 7: TRADE RECEIVABLES AND OTHER CURRENT ASSETS**

Trade receivables correspond to the production sold to Shell in December.

Other current financial and non-financial assets consist of the following items:

<i>In thousands of EUR</i>	
<b>Other current financial assets</b>	<b>31/12/2010</b>
Receivables on investments and associations	38,429
Loans and other borrowings	9
Sundry debtors	14,175
<b>Gross value</b>	<b>52,612</b>
Write-down to be deducted	0
<b>Net value</b>	<b>52,612</b>
<b>Other current assets</b>	<b>31/12/2010</b>
Prepaid expenses	889
Tax and social security (excluding income tax)	4
Other assets	14
<b>Gross value</b>	<b>907</b>
Write-down to be deducted	0
<b>Net value</b>	<b>907</b>

Receivables on investments and associations:

As of 31 December 2010, this item consisted primarily of the following:

- the portion of the financing provided to Seplat by Maurel & Prom Nigeria and not eliminated on consolidation. This receivable essentially corresponds to the portion of the shareholder loan for USD 154 million due in less than one year, as mentioned in Note 6;

- a receivable for EUR 9,200,000, which Seplat owes to the NNPC. This receivable results from re-invoicing to the partner of 55% of the costs incurred by the association.

Sundry debtors:

This item is mainly composed of advances paid by Seplat on the purchase of a hydrocarbon treatment and routing facility and a deposit paid to Abbeycourt, which has been given the task of identifying external growth opportunities in Nigeria (see Note 19: Related parties).

**NOTE 8: FAIR VALUE**

Financial assets and fair value

The various categories of financial assets as at 31 December 2010 are shown in the tables below:

<i>In thousands of EUR</i>			31/12/2010		Fair value
	Financial assets available – for sale	Loans and receivables	Financial assets at fair value through profit or loss	Total carrying amount	
Other non-current financial assets	0	34,942	0	34,942	34,942
Trade receivables and related accounts	0	14,403	0	14,403	14,403
Other current financial assets	0	52,612	0	52,612	52,612
Cash and cash equivalents	0	10,279	0	10,279	10,279
<b>Total carrying amount</b>	<b>0</b>	<b>112,236</b>	<b>0</b>	<b>112,236</b>	<b>112,236</b>
<b>Total fair value</b>	<b>0</b>	<b>112,236</b>	<b>0</b>	<b>112,236</b>	<b>112,236</b>

Financial liabilities (excluding derivative instruments) and fair value

The various categories of financial liabilities as at 31 December 2010 are as follows:

<i>In thousands of EUR</i>	31/12/2010		Total carrying amount	Fair value
	Current	Non-current		
Bonds	0	0	0	0
Other borrowings and financial debt (*)	70,636	0	70,636	70,636
Trade payables	6,873	0	6,873	6,873
Other creditors and sundry financial liabilities	23,376	0	23,376	23,376
<b>Total</b>	<b>100,885</b>	<b>0</b>	<b>100,885</b>	<b>100,885</b>

(\*) *Excluding interest accrued.*

Assumptions made

The financial liabilities of Maurel & Prom Nigeria consist of current debt, including the loan arranged with BNP (see Note 11).

In this respect, the carrying amount recognised does not differ from the fair value measured on the various items concerned.

## **NOTE 9: CASH AND CASH EQUIVALENTS**

Cash equivalents include liquid assets and investments with a term of less than three months.

<i>In thousands of EUR</i>	<b>31/12/2010</b>
Cash in bank and on hand	10,279
<b>Total</b>	<b>10,279</b>
Bank loans	0
<b>Net cash and cash equivalents at end of period</b>	<b>10,279</b>

As at 31 December 2010, Maurel & Prom Nigeria had net cash and cash equivalents of EUR 10.2 million, the principal fluctuations of which during the period were as follows:

- investments made during the period: -EUR 140 million,
- significant working capital requirement linked to start-up: -EUR 66 million,
- cash flow generated: EUR 21 million,
- capital contributions from shareholder M&P: EUR 133 million,
- loans arranged: +EUR 66 million.

## **NOTE 10: SHAREHOLDERS' EQUITY**

As at 1 January 2010, Maurel & Prom Nigeria had a share capital of EUR 37,000. This was increased by EUR 133,392,834 on 15 November 2010 through the incorporation of a current account receivable from Etablissements Maurel & Prom.

As at 31 December 2010, the share capital was composed of 121,303,213 shares with a nominal value of EUR 1.10, or total capital of EUR 133,433,534.30, which is held by Etablissements Maurel & Prom SA.

## **NOTE 11: OTHER BORROWINGS AND FINANCIAL DEBT**

Other borrowings and financial debt are detailed below:

<i>In thousands of EUR</i>	Currency	31/12/2010		
		Current	Non-current	Total
<b>Bonds</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Other borrowings and debts</b>		<b>71,223</b>	<b>0</b>	<b>71,223</b>
BNP – discount	USD	14,431		14,431
BNP – loan	USD	56,792	0	56,792
<b>Debts on finance leasing</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Bank loans</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>All other borrowings and financial debt</b>		<b>71,223</b>	<b>0</b>	<b>71,223</b>

In July 2010, Seplat took out a loan with BNP for USD 187 million, repayable by the end of March 2011. Collateral for the same amount paid by Maurel & Prom to that bank was used as security for the loan. An initial repayment of USD 20 million was made on 31 December 2010, and the loan was repaid in full in March 2011.

Seplat also discounted its trade receivable on Shell with BNP.

**NOTE 12: TRADE PAYABLES – OTHER CREDITORS AND SUNDRY FINANCIAL LIABILITIES**

<i>In thousands of EUR</i>	31/12/2010		Total
	< 1 year	> 1 year	
<b>Trade payables</b>	<b>6,873</b>	<b>0</b>	<b>6,873</b>
Trade payables	2,645	0	2,645
Accrued expenses	4,228	0	4,228
<b>Other creditors and sundry liabilities</b>	<b>23,376</b>	<b>0</b>	<b>23,376</b>
Social security liability	72	0	72
Tax liability	468	0	468
Fixed asset suppliers	0	0	0
Sundry creditors	22,835	0	22,835

Trade payables and related accounts

The balance of the trade payables account as at 31 December 2010 was mainly composed of Seplat trade payables (EUR 2,610,000).

The balance of accrued expenses as at 31 December 2010 mainly consisted of amounts due to Shell for transport, handling and storage of production sold (EUR 4,190,000).

Other creditors and sundry liabilities

As at 31 December 2010, the balance of the other creditors and sundry liabilities account mainly consisted of a debt toward Etablissements Maurel & Prom (EUR 12,593,000), an expense payable relating to royalties on production calculated at a rate of 20% (EUR 5,893,000) and a payable linked to the overlift position (EUR 3,590,000). The overlift corresponds to a situation in which the quantities lifted and invoiced exceed the lifting rights resulting from the quantities produced. This situation leads to a downward adjustment of revenue with a counterpart entry in liabilities.

**NOTE 13: NON-CURRENT DERIVATIVE INSTRUMENTS**

<i>In thousands of EUR</i>	31/12/2010		Total
	Current	Non-current	
<b>Financial instruments (assets)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Interest rate instruments</i>	0	0	0
<i>Currency instruments</i>	0	0	0
<i>Hydrocarbon instruments</i>	0	0	0
<b>Financial instruments (liabilities)</b>	<b>0</b>	<b>8,163</b>	<b>8,163</b>
<i>Interest rate instruments</i>	0	0	0
<i>Currency instruments</i>	0	0	0
<i>Hydrocarbon instruments</i>	0	8,163	8,163
<b>Total</b>	<b>0</b>	<b>(8,163)</b>	<b>(8,163)</b>
<i>Inc derivative instruments, assets</i>	0	0	0
<i>Inc other financial instruments, assets</i>			0
<i>Inc derivative instruments, liabilities</i>	0	8,163	8,163
<i>Inc other financial instruments, liabilities</i>			0
	0	(8,163)	(8,163)

The fair value of the price adjustment to be paid for the acquisition of Nigerian assets is recorded under liability derivative instruments. This price adjustment, capped at USD 33 million, will be payable if the average price of Brent remains above USD 80/bbl for 731 consecutive days as from the date of acquisition of the assets. As at 31 December 2010, this derivative had a fair value of USD 24.2 million at 100%, corresponding to a EUR 8.2 million charge in the Group's accounts. Changes in fair value (-EUR 1.9 million) of this instrument are recorded in the income statement under net gains and losses on derivative instruments.

The fair value hierarchy of this derivative instrument is Level 2, corresponding to the use of prices based on observable data. A description of the various levels of fair value can be found in Note 2.11: "Derivative instruments".

#### **NOTE 14: PERSONNEL EXPENSES**

These break down as follows:

<i>In thousands of EUR</i>	<b>31/12/2010</b>
Salaries	1,237
Profit-sharing	0
Stock options and bonus shares	0
Payroll costs and other personnel-related expenses	361
<b>Total</b>	<b>1,598</b>

The average headcount for the period was 83 (including five directors).

#### **NOTE 15: OPERATING INCOME**

<i>In thousands of EUR</i>	<b>31/12/2010</b>
Sales	28,480
Gross margin*	23,800
Gross operating surplus**	15,444
Amortisations for depletion	(3,910)
<b><i>Income from oil production and services</i></b>	<b>11,534</b>
Exploration entered as an expense	0
<b><i>Income from oil production, exploration and services</i></b>	<b>11,534</b>
Income from asset disposal	0
Other operating items	(2)
<b>Operating income</b>	<b>11,532</b>

\* Gross margin corresponds to sales, net of services and purchases of materials and consumables.

\*\*Gross operating surplus corresponds to the gross margin net of taxes (excluding income tax) and personnel expenses.

Seplat carried out two lifts in November and December 2010. The revenue generated totalled USD 87 million, corresponding to production of 1,015 Mbbl sold at an average price of USD 86.

Gross operating surplus totalled 54% and operating income 40%.

## **NOTE 16: FINANCIAL INCOME**

<i>In thousands of EUR</i>	<b>31/12/2010</b>
Interest on overdrafts	(1)
Interest on other borrowings	(6,036)
<b>Gross cost of debt</b>	<b>(6,036)</b>
Income from cash	0
Net gains and losses on derivative instruments	(1,925)
<b>Net cost of debt</b>	<b>(7,961)</b>
<b>Other net financial income and expenses</b>	<b>5,307</b>
Net foreign exchange differences	3,916
Other	1,391
<b>Financial income</b>	<b>(2,654)</b>

The net gains and losses on derivative instruments correspond to the change in fair value of the price adjustment between the acquisition date of the OMLs in August and year-end.

The interest expense on other borrowings breaks down as follows:

- interest on Seplat BNP financing of EUR 3.3 million,
- interest on current account advances made by Maurel & Prom to Maurel & Prom Nigeria: EUR 2.7 million.

Foreign exchange differences derive from the revaluation at the closing rate of advances in US dollars granted by Maurel & Prom Nigeria to its subsidiary.

Other components of financial income correspond to interest on advances granted by Maurel & Prom Nigeria to Seplat (recognised in the Group accounts based on the share belonging to its partners).

## **NOTE 17: INCOME TAX**

### **Breakdown of the charge for the fiscal year**

<i>In thousands of EUR</i>	<b>31/12/2010</b>
Tax charge payable for the fiscal year	7,559
Deferred tax charge	(126)
<b>Total</b>	<b>7,433</b>

### **Deferred tax assets and liabilities**

<i>In thousands of EUR</i>	<b>31/12/2010</b>
Temporary difference on oil taxes	540
Activation of tax deficits	1,278
<b>Total deferred tax assets</b>	<b>1,818</b>
Accelerated depreciation	1,688
<b>Total deferred tax liabilities</b>	<b>1,688</b>
<b>Net</b>	<b>130</b>

### **Reconciliation of the tax charge and pre-tax income**

<i>In thousands of EUR</i>	<b>31/12/2010</b>
Pre-tax income from continuing operations	8,878
- Net income from equity associates	0
<b>Pre-tax income excluding equity associates</b>	<b>8,878</b>
Theoretical tax charge of 65.75%	2,958
Reconciliation	
- In-kind liquidated tax	
- Tax rate divergence	4,056
- Permanent tax differences	419
- Activation of prior deficits	
- Non-activated deficits	0
<b>Actual tax charge</b>	<b>7,433</b>

### **NOTE 18: EARNINGS PER SHARE**

	<b>31/12/2010</b>
Net income, Group share	1,445
Average number of shares outstanding	15,319,865
Average number of diluted shares	15,319,865
<b>Earnings per share</b>	
Basic	0.09
Diluted	0.09

The Group has no equity instruments with a dilutive effect.

### **NOTE 19: RELATED PARTIES**

Commercial and financial transactions

<i>In thousands of EUR</i>	<b>Income</b>	<b>Expenses</b>	<b>Amounts due from related parties (net)</b>	<b>Amounts due to related parties</b>
<b>31/12/2010</b>				
<b>1) Joint ventures</b>				
- Seplat	3,685		116,636	0
<b>2) Other related parties</b>				
- Etablissements Maurel & Prom		-2,702	698	12,594

#### Seplat Memorandum of Understanding – Shebah Exploration and Production Company Ltd. – Allenne British Virgin Islands Limited

Seplat's hydrocarbon production is routed under the contract signed with Shell Petroleum Development Company of Nigeria Limited (SPDC).

In order to offset the risks associated with dependency on a single transport route for its production, Seplat signed a memorandum of understanding with Shebah Exploration and Production Company Ltd. and Allenne British Virgin Islands Ltd. on 16 November 2010 concerning the possible leasing or acquisition of the Trinity Spirit floating oil production, storage and offloading (FPSO) unit.

Seplat paid Allenne British Virgin Islands Ltd. USD 15 million as a deposit in the form of a repayable advance. If necessary, this sum will be repayable by the co-contracting party if requested by Seplat if 1) Seplat decides not to buy the FPSO unit, 2) Seplat decides not to lease the FPSO unit or 3) Seplat does not use the transport, processing and delivery services of the FPSO unit for its oil production. The leasing or acquisition of the Trinity Spirit FPSO unit would therefore provide Seplat with an alternative means of transporting its hydrocarbons to SPDC's Nigerian pipeline.

#### Memorandum of understanding signed by Seplat and Abbeycourt Petroleum Company Limited

Seplat's goal is to grow its mining field and is looking for opportunities for investment in new projects.

To implement this growth objective and in order to be able to identify and negotiate the best opportunities, on 22 March 2010 Seplat signed a two-year memorandum of understanding with Abbeycourt Petroleum Company Limited (APCO), a company specialising in the oil and gas sector in Nigeria and West Africa.

To enable it to achieve this goal, Seplat set up a USD 25 million fund at APCO, to be managed by the latter. When the memorandum expires, APCO will repay to Seplat any amounts not committed to this mission.

In identifying, structuring, and negotiating strategic investments as instructed by Seplat, APCO acts as Seplat's agent.

Mr. Ambrosie Bryant Chukwueloka Orjiako, member of the board of Etablissements Maurel & Prom SA, Chairman of Shebah Exploration and Production Company Ltd. and executive of Abbeycourt Petroleum Company Ltd., has an interest in both of these agreements.

#### Executive compensation

The compensation received by directors (board members and department executives) totalled USD 2,143,000.

#### **NOTE 20: OFF-BALANCE-SHEET COMMITMENTS**

To the knowledge of Maurel & Prom Nigeria, there are no exceptional events, disputes, risks or off-balance-sheet commitments, other than those mentioned in Note 1: "General" and Note 23: "Events after the reporting period", likely have a significant influence on the financial position, assets and liabilities, results or activities of the Group.

#### Work commitments

Work commitments total USD 175 million, or Group share of USD 35 million. These consist of workovers of existing wells, the drilling of five appraisal wells and two production wells, the construction of an oil/water separation unit and the introduction of an alternative routing system for production.

#### Commitments made

Not applicable (see Note 23: Events after the reporting period).

#### Commitments received

#### Guarantees received on borrowings

The loan of USD 187 million arranged by the Group with BNP has a guarantee from Etablissements Maurel & Prom in the form of collateral for the same amount (see Note 23: Events after the reporting period).

### **NOTE 21: OPERATING SECTORS**

In compliance with IFRS 8, effective since 1 January 2009, segment information is reported according to the same principles as internal reporting, reproducing the internal segment information defined to manage and measure the Group's performance. The activities of Maurel & Prom Nigeria are divided into two sectors: operations and holding company.

The data is distributed between each sector based on the contributing accounts of the entities after consolidation adjustments.

	<b>Holding company</b>	<b>Production</b>	<b>Group</b>
Working capital requirements	7,412	13,358	20,770
Change in working capital	-106,222	38,134	-68,088
Cash flows from operating activities	-98,810	51,492	-47,318
Cash flows from investment activities		-139,985	-139,985
Cash flows from financing activities	98,861	100,276	199,137
Impact of exchange rate fluctuations		-1,555	-1,555
<b>Increase/decrease in cash flow</b>	<b>51</b>	<b>10,228</b>	<b>10,279</b>

*\* The change in working capital requirements of the holding company mainly represents the cash advance of USD 153 million granted by Maurel & Prom Nigeria to Seplat.*

Seplat has only one client, SPDC, part of the Shell group, which is an internationally renowned oil company.

Income from ordinary activities corresponds solely to the sale of Forcados-grade petroleum under OMLs 4, 38 and 41.

## **NOTE 22: RISKS**

### **Credit risk**

The Group is exposed to credit risk from the loans and receivables granted to third parties in the context of its operating activities.

<b>In thousands of EUR</b>	<b>2010</b>	
	<b>Maximum exposure to credit risk</b>	<b>Balance sheet outstanding</b>
Other non-current financial assets	0	0
Trade receivables and related accounts	14,403	14,403
Other current financial assets	87,749	87,749
Derivative financial instruments	0	0
Cash and cash equivalents	10,241	10,241
<b>Total</b>	<b>112,394</b>	<b>112,394</b>

Maximum exposure corresponds to the balance sheet outstanding net of provisions.

The Group believes that there is no counterparty risk, since production is sold to SPDC, a Shell Group company. No receivables were due at the end of 2010.

### **Liquidity risk**

The Group's liquidity is detailed in the consolidated cash flow statements generated weekly and sent to executive management.

Forecasts at seven days and at monthly and quarterly periods are generated at the same time.

The earnings are compared to forecasts using these statements show the exchange position in addition to liquidity.

The central treasury department of the Maurel & Prom Group, which manages foreign exchange risk, interest rate risk and commodity risk, is in charge of cash flow management. Locally, Seplat has a treasury department staffed by a manager and an assistant.

As at 31 December 2010, unadjusted contractual flows (principal and interest) on outstanding financial liabilities, by maturity date, were as follows:

<b>As of 31 December 2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>&gt; 5 years</b>	<b>Total contractual flows</b>	<b>Total balance sheet value <sup>2</sup></b>
<b>In thousands of EUR</b>								
<b>Bonds</b>	-	-	-	-	-	-	-	-
<b>Other borrowings and financial debt</b>								
BNP – Seplat – loan	60,293							56,806
BNP – Seplat – discount	14,431							14,431
<b>Financial-lease loans</b>	-	-	-	-	-	-	-	-

Liquid assets of EUR 10.2 million at the closing date are held in sight deposit accounts.

The Group's income is sensitive to various market risks. The most significant of these are oil prices expressed in US dollars, and the EUR/USD exchange rate. The Group's operating currency is the US dollar, since sales, the majority of operating expenses and a significant portion of investments are in that currency.

#### Foreign exchange risk

Given that its activity is to a large extent international, the Company is exposed to various types of foreign exchange risk.

First of all, exchange rate fluctuations affect the transactions recorded in operating income (revenue stream, cost of sales etc.).

Revaluation of debts and receivables in foreign currency at the closing rate also generates a financial exchange risk.

In parallel with these operating and financial exchange risks, the impact of which is carried through profit and loss, there is also a foreign exchange risk linked to the conversion of Seplat's accounts, whose operating currency is the US dollar, into Euros. This currency translation adjustment is recorded directly in shareholders' equity.

As at 31 December, the Group's foreign exchange position, as shown in the table below, was USD 73 million (excluding currency translation adjustment of EUR -1.6 million registered as shareholders' equity).

	Assets and liabilities	Currency commitments (c)	Net position before hedging (d) = (a)- (b)+/-(c)	Financial hedging instruments (e)	Net position after hedging (f) = (d) - (e)
<i>Trade receivables and payables</i>	0		0		0
<i>Non-current financial assets</i>	0		0		0
<i>Other current assets</i>			0		0
<i>Derivative instruments</i>	0		0		0
<i>Other creditors and sundry liabilities</i>	73		73		73
<i>Cash and cash equivalents</i>	0		0		0
<b>USD exposure (in USD million)</b>	<b>73</b>	<b>0</b>	<b>73</b>	<b>0</b>	<b>73</b>

The following table shows the impact of exchange rate fluctuations on pre-tax income and on Group equity.

	Impact on pre-tax income		Impact on currency translation (shareholders' equity)	
	10% rise in EUR/USD parity	10% fall in EUR/USD parity	10% rise in EUR/USD parity	10% fall in EUR/USD parity
USD	-5.0	6.1	0.2	-0.3
Other currencies				
<b>Total</b>	<b>-5.0</b>	<b>6.1</b>	<b>0.2</b>	<b>-0.3</b>

### **Interest rate risk**

In July 2010, Seplat arranged for a loan for USD 187 million from BNP at the LIBOR + 5%. This loan, repayable by the end of March 2011, was the subject of an initial repayment of USD 20 million at the end of December 2010. Taking into account Seplat's proportional consolidation, the loan is recorded under liabilities in the amount of EUR 60 million.

A 1% change in interest rates would give rise to a EUR 0.3 million interest expense for fiscal year 2010.

Cash held by the Group of EUR 10.2 million is placed in a non-interest-bearing bank account.

### **Exposure to hydrocarbon risk**

The Company has not taken out any derivative instruments to hedge the exposure of its future cash flows to the risk of a fluctuation in oil prices.

## **NOTE 23: EVENTS AFTER THE REPORTING PERIOD**

### **Refinancing of Seplat**

In March 2011, Seplat repaid in full the bridge loan of USD 187 million it had arranged with BNP in July 2010. As at 31 December 2010, the balance outstanding on the loan was USD 167 million. Seplat is currently negotiating a line of credit for USD 535 million with a banking pool, which should allow it to finance its growth. Prior to arranging this financing, the sum of USD 200 million was released to Seplat at the end of March as part of a four-month bridge loan with interest charged at LIBOR + 5%. This loan involves a guarantee from Seplat's shareholders in the form of a pledge of their shares in the company.

## **NOTE 24: AUDIT FEES**

Fees paid to statutory auditors in 2010 totalled EUR 63,000 (including members of their networks).

<i>In thousands of EUR</i>	<b>François Carrega ERNST &amp; YOUNG</b>		<b>IAC*</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>
Audit				
* Statutory audit, certification, examination of individual and consolidated statements:				
- Issuer (*)	9	14%		%
- Fully consolidated subsidiaries	53	86%		%
*Other measures and services directly related to the duties of the statutory auditor:				
- Issuer (*)	0	0%		%
- Fully consolidated subsidiaries	0	0%		0%
<b>Subtotal</b>	<b>64</b>	<b>100%</b>		<b>99%</b>
Other services rendered via the networks to fully consolidated subsidiaries				
*Legal, tax, corporate	0	0%		0%
*Other (specify if > 10% of audit fees)	0	0%		%
<b>Subtotal</b>	<b>0</b>	<b>0%</b>		<b>%</b>
<b>Total</b>	<b>64</b>	<b>100%</b>		<b>100%</b>

(\*) Due to the late appointment of IAC (at the general meeting of 13 May 2011), fees for the 2010 fiscal year could be charged to the 2011 fiscal year.

Statutory auditors' fees for auditing the consolidated financial statements will be processed and invoiced in fiscal year 2011. These are estimated at a total of EUR 60,000 for statutory auditors and do not include fees for supervision of the initial public offering.

*20.1.1.2 Annual financial statements of the Company as of 31 December 2010*

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## 1. BALANCE SHEET AS OF 31 DECEMBER 2010

<b>ASSETS</b> <b>In Euros</b>	<b>Gross amount</b>	<b>Depreciation and provisions</b>	<b>Net amount as of 31/12/2010</b>	<b>Amount as of 31/12/2009</b>
Equity investments	31,869,437		31,869,437	
<b>Fixed assets</b>	<b>31,869,437</b>		<b>31,869,437</b>	
Receivables				
Trade receivables and related accounts				
Other receivables	116,639,168		116,639,168	396
Cash at bank				
Cash and cash equivalents	58,066		58,066	37,000
<b>Current assets</b>	<b>116,697,234</b>		<b>116,697,234</b>	<b>37,396</b>
Currency translation adjustment	2,363,347		2,363,347	
<b>Total</b>	<b>150,930,018</b>		<b>150,930,018</b>	<b>37,396</b>

<b>LIABILITIES</b> <b>In Euros</b>	<b>Amount as of 31/12/2010</b>	<b>Amount as of 31/12/2009</b>
Share capital (of which EUR 133,433,534 paid up)	133,433,534	37,000
Legal reserve		
Balance carried forward	(2,109)	
Profit for the year	2,722,307	(2,109)
<b>Equity</b>	<b>136,153,732</b>	<b>34,381</b>
Provision for risks	2,363,347	
<b>Provisions for risks and contingencies</b>	<b>2,363,347</b>	
Financial debt:		
Bank borrowings and debt	6,246	
Sundry borrowings and financial debt	11,108,625	
Operating liabilities:		
Trade payables	17,416	1,794
Tax and social security liabilities		
Other liabilities	1,279,562	711
<b>Debts</b>	<b>12,411,849</b>	<b>2,505</b>
Currency translation adjustment	1,090	
<b>Total</b>	<b>150,930,018</b>	<b>37,396</b>

## 2. 2010 INCOME STATEMENT

In Euros	2010	2009 (3 months)
Sales		
Other income		
<b>Operating income</b>		
Other purchases and external expenses	30,238	2,109
Tax expense	66	
Wages and salaries		
Social contributions		
Depreciation expense		
Other expenses		
<b>Operating expenses</b>	<b>30,304</b>	<b>2,109</b>
<b>Net operating income</b>	<b>(30,304)</b>	<b>(2,109)</b>
Income from other fixed assets: securities and receivables	3,684,526	
Other interest	88	
Positive foreign exchange differences	6,132,559	
<b>Financial income</b>	<b>9,817,173</b>	<b>0</b>
Additional amounts provided	2,363,347	
Interest and related expenses	2,702,547	
Negative foreign exchange differences	10,473	
<b>Financial expenses</b>	<b>5,076,367</b>	
<b>Net financial income</b>	<b>4,740,806</b>	<b>0</b>
<b>EBIT</b>	<b>4,710,502</b>	<b>0</b>
<b>Extraordinary income</b>		
<b>Extraordinary charges</b>		
<b>Extraordinary profit/(loss)</b>	<b>0</b>	
<b>Pre-tax income</b>	<b>4,710,502</b>	<b>(2,109)</b>
Tax	1,988,195	
<b>Net income</b>	<b>2,722,307</b>	<b>(2,109)</b>

### **3. NOTES**

#### **3.1 Significant events**

The purpose of the Company is the exploration and exploitation of all hydrocarbon deposits. It was created on 6 October 2009 in the form of an SAS with Etablissements Maurel & Prom as its sole shareholder. It was transformed into an SAS at the end of the general meeting of 15 November 2010.

The 2010 fiscal year is its second fiscal year. The duration of the first fiscal year was less than three months.

It has a 45% stake in the Nigerian company Seplat Petroleum Development ("Seplat"), which was transferred to it by Etablissements Maurel & Prom in January 2010.

Seplat was established in 2009 by Etablissements Maurel & Prom (45%), Shebah (33%) and Platform (22%) with a view to acquiring petroleum assets in Nigeria. At the end of July 2010, under the terms of a joint operating agreement with the National Nigerian Petroleum Company (NNPC), Seplat acquired the rights and assets held by Shell, Eni and Total in OMLs 4, 38 and 41 for USD 340,000,000 (plus earn-out, which, depending on oil prices over the next two years, could be USD 33,000,000). Seplat owns 45% of the rights and obligations under this contract and is the operator, with NNPC holding the remaining 55%.

Maurel & Prom Nigeria has provided its share of the financing of this acquisition by investing USD 40,000,000 in a capital increase by Seplat (EUR 31,644,000) and granting its subsidiary a loan of USD 153,000,000 (EUR 114,504,000) at a rate of 7.125%.

The financing of Maurel & Prom Nigeria was covered by current account advances granted by Etablissements Maurel & Prom, most of which was converted into capital.

Following a decision of the general meeting of 15 November 2010, Maurel & Prom Nigeria proceeded with two capital increases:

- the first for EUR 3,700, enabling the nominal value of the shares to be increased from EUR 1 to EUR 1.10,
- the second for EUR 133,392,834.30, by issuing 121,266,213 shares at a nominal value of EUR 1.10 each.

Following these two operations, the Company's capital was increased to EUR 133,433,534.30.

#### **3.2 Accounting policies**

The annual financial statements were prepared in accordance with generally accepted accounting principles in France.

Accounting conventions have been adopted on a prudent basis and in accordance with the following basic assumptions:

- going-concern,
- consistency of method,
- independence of financial periods.

and in accordance with the general rules for the preparation and presentation of financial statements.

The historical cost method was adopted as the basic method of accounting.

The principal methods are as follows.

### **3.2.1 Equity investments**

Equity investments are carried at historical cost. A provision is booked when the net asset value is less than the carrying amount. Net asset value is calculated according to shareholders' equity and the earnings outlook for the companies concerned.

### **3.2.2 Foreign currency transactions**

Income and expenses in foreign currency are recorded at their equivalent value in Euros as at the transaction date.

Foreign currency debts and receivables are carried on the balance sheet at their equivalent value in Euros as of the closing rate. Any difference arising from the conversion of foreign-currency debts and receivables at this closing rate is reported in the balance sheet under currency translation. A provision for risks is established on any unrealised losses that are not offset.

## **3.3 Additional information on the balance sheet and income statement**

### **3.3.1 Equity investments**

Equity investments comprise the 45% stake in the Nigerian company Seplat Petroleum Development (EUR 31,869,000).

### **3.3.2 Other receivables**

Other receivables consist of EUR 116,636,000 in receivables and current accounts for Seplat, EUR 1,280,000 of which corresponds to expenses paid by the Company and re-invoiced in euros to Seplat.

### **3.3.3 Debt maturity**

With the exception of Seplat's receivables of EUR 115,356,000 (including interest) with no fixed term, all receivables are due in less than one year.

### **3.3.4 Composition of the share capital**

The capital is composed of 121,303,213 shares with a value of one euro ten cents (EUR 1.10) each. It is fully paid up.

Changes in equity are as follows:

In EUR	Capital	Retained earnings	Income
<b>23/12/2009</b>	<b>37,000</b>		<b>(2,109)</b>
Appropriation of income		(2,109)	2,109
Capital increase	3,700		
Capital increase	133,392,834		
Income			2,722,307
<b>31/12/2010</b>	<b>133,433,534</b>	<b>(2,109)</b>	<b>2,722,307</b>

Following the decisions of the general meeting of 15 November 2010, Maurel & Prom Nigeria carried out two capital increases (see significant events), taking the Company's share capital to EUR 133,433,534.30.

### 3.3.5 Provisions for risks and contingencies

The provision for risks corresponds to the provision for an unrealised exchange loss linked to the revaluation of receivables and payables in foreign currency at the closing rate.

### 3.3.6 Debts

Sundry financial borrowings and debts consist of amounts due to Etablissements Maurel & Prom, including interest.

Other debts represent costs paid by Etablissements Maurel & Prom on behalf of Maurel & Prom Nigeria.

### 3.3.7 Schedule of receivables and payables

With the exception of the amount payable to Etablissements Maurel & Prom for EUR 11,109,000 including interest with no fixed term, all payables are due in less than one year.

### 3.3.8 Accrued expenses

Accrued expenses consist of accountants' and auditors' fees of EUR 14,000.

### 3.3.9 Financial income

Financial income stood at EUR 4,741,000 and comprises:

- net interest income on Group current accounts (Etablissements Maurel & Prom and Seplat) for EUR 983,000;

- net foreign exchange income of EUR 6,122,000 from the conversion into euros of a portion of the current account in dollars with Etablissements Maurel & Prom, following the capital increase on 15 November 2010 by set-off against compensation with this current account;
- a provision for foreign exchange risk of EUR 2,363,000 following the change in the dollar rate at year-end;
- net interest expense of EUR 1,000.

### 3.3.10 Tax

#### (A) Tax consolidation

Since 1 January 2010, Maurel & Prom Nigeria has been included within the Maurel & Prom tax group.

Under the consolidation scheme, any tax gains arising from the tax consolidation accrue to the parent company. The remaining tax liability of companies in the tax group is the same as in the absence of consolidation, or EUR 1,988,000 for Maurel & Prom Nigeria.

The tax loss prior to tax consolidation amounted to EUR 2,000.

#### (B) Unrealised tax position

<b>Accounting income</b>	<b>2,722</b>
<b>Permanent differences</b>	
- Excess interest	1,253
- Taxes	1,988
	<b>3,241</b>
<b>Temporary differences</b>	
- Currency translation adjustment	(2,363)
- Provisions for foreign exchange risk	2,363
<b>Taxable income</b>	<b>5,963</b>

### 3.3.11 Statutory auditors' fees

Information on fees paid to statutory auditors can be found in the notes to the consolidated financial statements of Etablissements Maurel & Prom.

### 3.3.12 Affiliates

Companies included on a line-by-line basis within the same consolidated entity are considered as affiliates, i.e. companies in which, directly or indirectly, there is at least a 50% stake. The receivables and financial income from Seplat, 45% owned and consolidated according to the equity method, are also included.

The items and amounts (as a gross value unless otherwise indicated) are as follows:

Equity investments	31,869
Other receivables	116,636
<b>Liabilities</b>	
Sundry borrowings and financial debt	11,109
Other debts	1,280
<b>Financial income</b>	
Income from other transferable securities	3,685
Interest and related expenses	(2,702)

### 3.3.13 Consolidation

The Company is consolidated by Etablissements Maurel & Prom, 12 Rue Volney, 75002 Paris.

### 3.3.14 Events after the reporting period

Rapid expansion in Nigeria is a priority for the Group. Its subsidiary Seplat is currently negotiating a line of credit for USD 535 million with a banking pool, which should allow it to finance its growth. Prior to the arrangement of this financing, USD 200 million was released to Seplat at the end of March in the form of a four-month bridge loan at the LIBOR + 5%. This loan involves a guarantee given by Maurel & Prom Nigeria and its partners Shebah and Platform in the form of a pledge of their Seplat shares.

**TABLE OF SUBSIDIARIES AND EQUITY INVESTMENTS**

Financial information Subsidiaries and Interests	Share capital	Equity other than share capital	% of capital held	Carrying amount of investments		Loans and advances	Guarantees and surety	Prior period sales	Profit for the period	Dividends paid during the period
				Gross	Net					
<b>1. Subsidiaries (more than 50%)</b>										
<b>2. Equity investments (between 10% and 50%)</b>										
Seplat Petroleum Development Company Limited (Lagos Nigeria) (USD)	689,655	47,114,082	45%	31,869,437 (Euros)	31,869,437 (Euros)	116,635,586 (Euros)		83,934,574	7,146,160	
<b>3. Other investments</b>										

20.1.2 Historical financial information for Seplat

20.1.2.1 *Seplat financial statements as at 31 December 2010*

**SEPLAT PETROLEUM DEVELOPMENT COMPANY LIMITED**

**REPORT OF THE DIRECTORS, AUDITED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY FINANCIAL INFORMATION (IN US DOLLARS) FOR THE YEAR  
ENDED DECEMBER 31, 2010**

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**SEPLAT PETROLEUM DEVELOPMENT COMPANY LIMITED**

**REPORT OF THE DIRECTORS**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

The Directors submit to the members of the Company their report together with the audited financial statements for the year ended December 31, 2010.

PRINCIPAL ACTIVITIES

The principal activities of the company are oil and gas exploration and production.

STATE OF AFFAIRS

In the opinion of the Directors, the state of the Company's affairs is satisfactory and there has been no material change since the date of the balance sheet.

**RESULTS FOR THE YEAR**

	<b>\$</b>
Turnover	83,934,574
Profit before taxation	27,880,160
Taxation	(20,734,000)
<b>Profit after taxation</b>	<b>7,146,160</b>

DIVIDEND

The company did not pay dividends during the year and no dividend has been proposed for the year ended December 31 2010.

PROPERTY, PLANT AND EQUIPMENT (PPE)

Information relating to changes in PPE during the year is provided in Note 4 to the financial statements. In the opinion of the Directors, market value of the Company's properties is not less than the value shown in the financial statements.

CHARITABLE CONTRIBUTIONS

The Company made charitable donations of amount totalling US\$15,965.

## DIRECTORS

The names of the Directors at the date of this report and of those who held office during the year are as follows:

Orjiako A.B.	Executive Director/Chairman	- Appointed December 14, 2009/March 2, 2010
Avuru A.O	C.E.O./Managing Director	- Appointed December 14, 2009/March 2, 2010
Henin J.F (French)		- Appointed December 14, 2009
Hochard M.N.M. (French)		- Appointed December 14, 2009
Ofurhie M.A.		- Appointed December 14, 2009
Ado-Bayero N.		- Appointed March 5, 2010

## DIRECTOR'S INTEREST IN SHARES

No Director has any beneficial interest in the Company's shares for the purpose of section 275 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004.

## DIRECTOR'S INTERESTS IN CONTRACTS

None of the Directors has notified the Company for the purpose of section 277 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 of any disclosable interest in contracts with which the Company is involved as at December 31, 2010.

## SUBSTANTIAL INTEREST IN SHARES

The issued and fully paid share capital of the Company as at December 31, 2010 is beneficially owned as follows:

Names of Directors	Number of Shares	%
Etablissements Maurel & Prom	45,000,000	45
Shebah Petroleum Development Company Ltd	33,000,000	33
Platform Petroleum Joint Ventures Limited	22,000,000	22
	100,000,000	100

## POST BALANCE SHEET EVENTS

As stated in Note 24, no events or transactions have occurred since the balance sheet date which would have a material effect upon the financial statements as presented or which need to be mentioned in the financial statements in order not to make them misleading as to the financial position or results of operations.

## **FORMAT OF ACCOUNTS**

The financial statements have been issued under the reporting and presentation requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004. The Directors consider that the format adopted is most suitable for the Company.

## **EMPLOYMENT OF DISABLED PERSONS**

The company has a policy of fair consideration of job applications by disabled persons having regard to their abilities and aptitude. The company's policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees.

## **EMPLOYEES HEALTH, SAFETY & WELFARE**

The company continues to enforce strict health and safety rules and practices at the work environment, which are reviewed and tested regularly. The company provides free medical care for its employees and their families through designated hospitals and clinics.

Fire prevention and fire-fighting equipment are installed in strategic locations within the Company's premises.

The company operates Group life Insurance cover for the benefit of its employees. It also complies with the requirements of the Pension Reform Act of 2004 regarding its employees.

## **AUDITORS**

Ernst & Young was appointed as auditors on December 20, 2010 and have expressed their willingness to continue in office as the Company's auditors and will be re-appointed at the Annual General Meeting, in accordance with Section 357(2) of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004.

## **BY ORDER OF THE BOARD**

Ajaero A.  
Company Secretary/Legal Adviser  
....., 2011

**SEPLAT PETROLEUM DEVELOPMENT COMPANY LIMITED**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

The Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the company at the end of the year and of its profit or loss. The responsibilities include ensuring that the company:

- a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company and comply with the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004;
- b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with Statements of Accounting Standards issued by the Nigerian Accounting Standards Board and the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.

**Director**

**Director**

....., 2011

## SEPLAT PETROLEUM DEVELOPMENT COMPANY LIMITED

### STATUTORY AUDITORS' REPORT

#### **Report on the financial statements**

We have audited the accompanying financial statements of Seplat Petroleum Development Company Limited, which comprise the balance sheet as at December 31, 2010, the profit and loss account, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### **Directors' responsibility for the financial statements**

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the relevant standards issued by the Nigerian Accounting Standards Board and the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and for such internal control as the directors determines necessary to enable the preparation of financial statements that are free of material misstatements, whether due to fraud or error.

#### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Seplat Petroleum Development Company Limited as at December 31, 2010 and its financial performance and its cashflows for the year then ended in accordance with the relevant standards issued by the Nigerian Accounting Standards Board and provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004.

Lagos, Nigeria

....., 2011

## SEPLAT PETROLEUM DEVELOPMENT COMPANY LIMITED

### STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### FOR THE YEAR ENDED DECEMBER 31, 2010

The following is a summary of the significant accounting policies applied in connection with the preparation of the financial statements.

a. **Basis of preparation**

The financial statements are prepared in compliance with the Nigerian Statements of Accounting Standards (SAS), presented in the functional currency - United States Dollar and prepared under the historical cost convention.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

b. **Oil and gas accounting**

The "Full Costs" concept is applied in accounting for all exploration and development activities. All exploratory drilling and development costs are capitalised until the economic viability measured by the discovery of commercial crude oil reserves is determined. When the costs do not result in economically viable crude reserves, they are written off to the income statement immediately.

c. **Intangible and tangible fixed assets**

Capitalisation policy

- i. All exploratory drilling costs including concessions are capitalised until the economic viability measured by the discovery of commercial quantities of crude hydrocarbons and gas is determined.
- ii. Other property, plant and equipment are stated at historical cost and all costs relating to their acquisition are capitalised till the time of commissioning of such assets.
- iii. Depreciation and amortisation policy
- iv. All producing property, plant and equipment are depreciated using the Unit of Production (UOP) Method of depreciation.
- v. Other property, plant and equipment are stated at cost, less accumulated depreciation.

Depreciation is provided on the straight-line basis at annual rates calculated to write-off the assets over their estimated useful lives. The rates used are:

Leasehold improvement	20%
Office furniture and equipment	20%
Computer equipment	33.33%
Motor vehicles	25%

- vi. Capitalised pre-production costs represent expenses incurred by the Company in 2009 prior to the commencement of business operations in 2010 year. The total amount US\$8,454,584 is to be written off over 5 years commencing in the Company's first year of operation and production - 2010.

#### **Disposal and derecognition**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss account in the year the asset is derecognised.

#### **Impairment**

Property, plant and equipment are assessed for possible impairment by comparing their carrying values to the discounted future pre-tax cash flows, whenever events or changes in circumstances indicate that the carrying amount of the fixed assets and other capitalised costs may not be recoverable. For this purpose assets are grouped based on separately identifiable and largely independent cash flows. Impaired assets are written down to their estimated fair values. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the asset. In this circumstance, the Company would recognise an impairment loss for the amount by which the carrying amount of an asset exceeds the estimated fair value of the asset.

#### e. **Inventories - overlifts and underlifts**

Both overlifts and underlifts are accrued for - Overlifts as payables at year end spot price while underlifts as stock at the lower of cost or market value. The Cost comprises direct cost of production, transportation and production expenses.

Invoiced sales are adjusted to exclude overlifts at year end spot price and to include underlifts at the lower of cost or net realisable value.

#### f. **Receivable**

Receivables are stated after deduction of adequate provisions for debts considered bad or doubtful of recovery.

#### g. **Revenue recognition**

Turnover represents revenue earned on oil lifted and sold during the year less overlift or plus underlift.

Revenue associated with sales of crude oil are recognised when the title passes to the customer to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, which is when the risk of ownership passes to the purchaser and physical delivery occurs, either immediately or within a fixed delivery schedule that is reasonable and customary in the industry. Revenue is measured at the fair value of the consideration received, excluding sales taxes.

#### h. **Income tax**

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax, education tax and deferred income tax.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Petroleum Profit Tax Act (PPTA). Education tax is assessed at 2% of the assessable profits.

i. **Deferred taxation**

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised

j. **Accruals and provisions**

Accruals and provisions are recognised when the company has a present obligation whether legal or constructive, as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit and loss account. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

k. **Foreign currency translation**

Transactions in foreign currencies are translated into the functional currency, the United States Dollar, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

l. **Pension plan reserve**

The company operates a funded defined contribution retirement benefit scheme for its employees in compliance with the provisions of the Pension Reform Act 2004.

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Contribution to the scheme is 15% which is contributed by both the employer and employee in equal proportions of 7.5%. The company's contributions to the defined contribution scheme are charged to the profit and loss account in the year to which they relate.

m. **Relationship with Affiliates**

Affiliates are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

n. **Borrowing Costs**

Borrowing costs are charged to the Profit and Loss Account.

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Note	2010	2009
		\$	\$
Goodwill	3	121,147,336	8,454,584
Intangible assets	4	216,583,859	-
Tangible fixed assets	5	5,015,527	
Called up share capital not paid	11	-	689,655
		342,746,722	9,144,239
<b>CURRENT ASSETS</b>			
Receivables and prepayments	6	112,834,896	-
Cash and bank	7	30,368,491	-
		143,203,387	-
<b>CURRENT LIABILITIES</b>			
Creditors and accruals	8	(417,412,027)	(8,486,317)
Taxation	9a	(17,215,000)	-
		(434,627,027)	(8,486,317)
<b>NET CURRENT LIABILITIES</b>		(291,423,640)	(8,486,317)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		51,323,082	657,922
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	10	(3,519,000)	-
<b>TOTAL ASSETS LESS LIABILITIES</b>		47,804,082	657,922
<b>CAPITAL AND RESERVES</b>			
Share capital	11	689,655	689,655
Share Premium	12	40,000,000	-
Reserve	13	7,114,427	(31,733)
		<b>47,804,082</b>	<b>657,922</b>

-----)  
 )  
 -----) Directors

See notes to the financial statements

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	Note	2010 \$	2009 \$
<b>TURNOVER</b>	14	83,934,574	-
Operating costs	15	(45,667,602)	-
Operating profit	16	38,266,972	-
Interest and similar charges	17	(10,386,812)	-
<b>PROFIT BEFORE TAXATION</b>		<b>27,880,160</b>	-
Taxation	9b	(20,734,000)	-
<b>PROFIT AFTER TAXATION</b>		<b>7,146,160</b>	-
<b>EARNINGS PER SHARE (\$)</b>	<b>18</b>	<b>0.07</b>	-

See notes to the financial statements.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2010**

	Note	2010 \$	2009 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers for product sales		94,594,558	-
Cash payment to suppliers and employees		(70,665,591)	-
Net cash provided by operating activities	19	23,928,967	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Goodwill - Investment in PPE	3	(121,147,336)	-
Investment in intangible assets	4	(218,852,664)	-
Investment in tangible fixed assets	5	(5,209,914)	-
Net cash utilised by investing activities		(345,209,914)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Share capital paid		689,655	-
Share premium		40,000,000	-
Shareholder loan		154,346,721	-
Bank loan		166,999,874	-
Interest paid	-	(10,386,812)	-
Net cash provided by financing activities		351,649,438	-
Net increase in cash and cash equivalents		30,368,491	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		30,368,491	-

See notes to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. CORPORATE STRUCTURE AND BUSINESS

Seplat Petroleum Development Company Limited was incorporated on June 17, 2009 as a private limited liability company, under the Company and Allied Matters Act of 1990. The company is principally engaged in oil and gas exploration and production. During the year, the company operated 3 Oil Mining Lease: OML 4, OML 38 and OML 41 in which it holds 45% while its JV partner - the Nigeria Petroleum Development Company (NPDC), a subsidiary of the Nigeria National Petroleum Corporation (NNPC) holds 55%. The company commenced operations on August 1, 2010.

The Company's shareholders are Establishments Maurel and Prom, a company incorporated in France, Shebah Petroleum Development Company Limited and Platform Petroleum Joint Ventures Limited both incorporated in Nigeria and they have confirmed their intention to support the company financially.

### 2. DETAILS OF CONCESSIONS

The company under its Joint Venture Agreement made payments for the following licenses with respect to the total assets acquired on OML 4, OML 38 and OML 41. Total amount agreed for these is stated at US\$373,000,000 (Three hundred and seventy three million United States Dollars). Out of this amount, US\$340,000,000 (three hundred and forty million United States Dollars) was paid at the completion of the acquisition on July 31, 2010 which is termed the upfront payment made at the signing of the Sale Purchase Agreement. The balance of US \$33,000,000 would be payable within 30 days of the second anniversary completion, if the average price per barrel of Brent crude oil over the period from acquisition completion to the second anniversary of completion exceeds US\$80 per barrel. See Note 23.

### 3. GOODWILL

	2010	2009
	\$	\$
Producing OMLs 3, 38 & 41 acquisition (Note 3a)	121,147,336	-

- 3a Goodwill attributable to the acquired interests in the 3 Oil Mining Leases is the excess of the acquisition cost over the value of the leases as per the expert valuation by Knight Frank, Chartered Estate Surveyors and Valuers.

#### 4. INTANGIBLE ASSETS

	Producing Assets \$	Pre-Production Assets \$	Total \$
<b>COST:</b>			
At January 1, 2010	-	8,454,584	8,454,584
Additions	218,852,664	-	218,852,664
At December 31, 2010	218,852,664	8,454,584	227,307,248
<b>DEPRECIATION:</b>			
At January 1, 2010	-	-	-
Charge for the year	9,032,472	1,690,917	10,723,389
At December 31, 2010	9,032,472	1,690,917	10,723,389
<b>NET BOOK VALUE</b>			
At December 31, 2010	209,820,192*	6,763,667	216,583,859

Note:

\* Amount represent Seplat's proportionate share (45%) of the Joint Venture (JV) producing assets.

**5. TANGIBLE FIXED ASSETS**

	<b>Plant and Machinery</b>	<b>Furniture and Fittings</b>	<b>Office and IT Equipment</b>	<b>Motor Vehicle</b>	<b>Leasehold Improvement</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>COST:</b>						
At January 1, 2010	-	-	-	-	-	-
Additions	2,985,452	80,876	1,178,981	794,669	169,936	5,209,914
At December 31, 2010	2,985,452	80,876	1,178,981	794,669	169,936	5,209,914
<b>DEPRECIATION:</b>						
At January 1, 2010	-	-	-	-	-	-
Charge for the year	1,895	9,525	133,213	49,754	-	194,387
At December 31, 2010	1,895	9,525	133,213	49,754	-	194,387
<b>NET BOOK VALUE</b>						
At December 31, 2010	2,983,557	71,351	1,045,768	744,915	169,936	5,015,527

Note:

Amounts in the table represent Seplaf's proportionate share (45%) of the Joint Venture (J V) tangible fixed assets.

<b>6</b>	<b>RECEIVABLES AND PREPAYMENTS</b>	<b>2010</b>	<b>2009</b>
		<b>\$</b>	<b>\$</b>
	Due from related parties (Note 6a)	40 000 000	-
	Nigerian Petroleum Development Company (NPDC)	27,375,009	-
	Prepayments	2,640,954	-
	Share premium receivable	-	-
	Staff receivable	25,394	-
	Suppliers advances	95,317	-
	Trade receivable discounted	42,698,222	-
		<b>112,834,896</b>	<b>-</b>

<b>6a.</b>	<b>DUE FROM RELATED PARTIES</b>		
	Abbey Court Petroleum Company Limited	25,000,000	-
	Shebah Petroleum Development Company Ltd.	15,000,000	-
		<b>40,000,000</b>	<b>-</b>

<b>7.</b>	<b>CASH AND BANK</b>		
	Cash	102,557	-
	Bank	30,265,934	-
		<b>30,368,491</b>	<b>-</b>

<b>8.</b>	<b>CREDITORS AND ACCRUALS</b>		
	Accruals and provisions	46,734,354	8,486,317
	BNP Paribas Discounted Loan	42,698,222	-
	BNP Paribas loan (Note 8b)	166,999,874	-
	Trade creditors	6,632,856	-
	Shareholder loan (Note 8a)	154,346,721	-
		<b>417,412,027</b>	<b>8,486,317</b>

**8a. SHAREHOLDER LOAN<sup>11</sup>**

This is balance (principal plus interest less repayment) due on \$153 million shareholder loan obtained from Establishments Maurel & Prom (M&P) which represents 45% of the Acquisition cost attributable to M&P's shares. Interest accrues monthly on the principal amount outstanding at LIBOR plus 5% and is repayable from the oil revenues generated from the fields. 80% of the Net Cash Flow shall be apportioned in the ratio of 45:55 to the repayment of the Shareholder Loan and the Additional loan respectively.

<sup>11</sup> Maurel & Prom Nigeria would like to draw the reader's attention to this mistake in Seplat's financial statements and the fact that the shareholder loan was granted by Maurel & Prom Nigeria and not by Maurel & Prom.

**8b. BNP PARIBAS LOAN**

This is the balance outstanding on the additional \$187 million loan obtained from the bank by M & P on SEPLAT's behalf, representing 55% of the Acquisition cost attributable to the Founders shares. US\$20 million principal and US\$3.358 million interest was paid during the year.

**9. TAXATION**

	2010	2009
	\$	\$
<b>9a.</b> Balance sheet:		
Charge for the year	17,215,000	-
Payment during the year	-	-
Balance at the end of the year	17,215,000	-
<b>9b.</b> Profit and loss account:		
Petroleum profit tax	16,424,000	-
Education tax	791,000	-
	17,215,000	-
Deferred tax (Note 10))	3,519,000	-
	<b>20,734,000</b>	-

**10. DEFERRED TAX**

	2010	2009
	\$	\$
Deferred tax charge for the year (Note 9b)	3,519,000	-
Balance at the end of the year	3,519,000	-

**11. SHARE CAPITAL**

	2010	2009
	\$	\$
Authorised, issued and not paid	-	689,655
Authorised, issued and fully paid: 100,000,000 ordinary shares of N1 each	689,655	-

**12. SHARE PREMIUM**

	2010	2009
	\$	\$
Maurel & Prom - Cash (Note 12a)	40,000,000	40,000,000

**12a. Maurel & Prom - Cash**

This represents Maurel & Prom's contribution by way of share premium in respect of its shares and has transferred to the Company which enabled it to pay off the acquisition sunk costs and such other funds as was required for the operation of the Company at commencement of operation in accordance with the Agreement for Assignment of the Oil Mining Leases acquired.

### 13. RESERVE

	2010	2009
	\$	\$
Balance brought down	(31,733)	-
Profit after taxation for the year	7,146,160	(31,733)
Balance at the end of the year	7,114,427	(31,733)

### 14. TURNOVER

	2010	2009
	\$	\$
<b>a.</b> Crude Oil Sales	<b>94,594,558</b>	-
Overlift	(10,659,984)	-
	83,934,574	-
<b>b.</b>	Barrels	Barrels
Production	974,263	-
Lifting	1,098,518	-
Over-lift	124,255	-

### 15. OPERATING COSTS

	2010	2009
	\$	\$
Contribution to Niger Delta Development		
Commission (NDDC)*	686,250	-
Depreciation and amortization	10,917,776	-
Exchange gain	(460,433)	-
General and administrative expenses*	4,366,451	-
Operating expenses*	30,157,558	-
	<b>45,667,602</b>	-

\*These represent Seplat's share - 45% of the relevant amounts paid for the JV.

### 16. OPERATING PROFIT

	2010	2009
	\$	\$
Operating profit is stated after charging:		
Auditors' remuneration*	27,000	-
Depreciation and amortisation	10,917,776	-
Directors remuneration and fees*	630,337	-
Directors fees	126,000	-
Donations*	7,174	-
Exchange gain	(460,433)	-

\*These represent Seplat's share - 45% of the relevant amounts paid for the JV.

**17. INTEREST AND SIMILAR CHARGES**

	2010	2009
	\$	\$
Shareholder loan	6,734,225	-
Bank loan	3,358,285	-
Bank charges	294,302	-
	10,386,812	-

**18. EARNINGS PER SHARE**

Earnings per share is calculated on the Company's result after taxation and on the basis of 100,000,000 issued and fully paid ordinary share as at December 31, 2010 (2009: Nil).

**19. RECONCILIATION OF NET PROFIT TO NET CASH UTILISED BY OPERATING ACTIVITIES**

	2010	2009
	\$	\$
Profit after taxation	7,146,160	-
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortisation	10,917,776	-
Interest paid	10,386,812	-
<b>CHANGES IN ASSETS AND LIABILITIES</b>		
Debtors and prepayments	(70,136,673)	-
Trade creditors and accruals	44,880,892	-
Taxation	20,734,000	-
	16,782,807	-
Net cash provided by operating activities	23,928,967	-

**20. DIRECTORS AND EMPLOYEES**

a. Chairman and Directors' emoluments:-		
Fees	280,000	
Chairman (Executive)	835,333	-
Executive Directors	565,416	-
	<b>*1,680,749</b>	-

\*This 100% directors' costs incurred for the JV and is borne in the ratio 55:45 by NPDC and Seplat respectively.

b. Highest paid Director	835,333	-
--------------------------	---------	---

- c. The number of directors (excluding the Chairman) whose emoluments fell within the following ranges were:-

	2010	2009
	Number	Number
N7,500,000 - N10,000,000	4	-
N10,000,001 - N60,000,000	-	-
N60,000,001 - N80,000,000	1	-
	5	-

- d. Higher paid employees:

The number of employees of the Company (other than the directors) whose duties were wholly or mainly discharged within Nigeria, and who earned over N1,000,000, received remuneration (excluding pension contributions) in the following ranges:

	2010	2009
	Number	Number
N1,000,001 - N2,500,000	2	-
N2,500,001 - N5,000,000	17	-
N5,000,001 - N7,500,000	9	-
Above N7,500,000	50	-
	78	-

- e. The average number of persons (excluding directors) employed by the Company during the year was as follows:

	2010	2009
	Number	Number
Management	12	-
Senior Staff	42	-
Junior Staff	24	-
	78	-

- f. Employee costs:

Total Staff Costs (excluding pension contribution) in respect of the above employees amounted to \$2,535,700 as follows:

	2010	2009
	\$	\$
Salaries & Wages	*2,535,700	-

\*This is borne in ratio 55:45 by NPDC and Seplat respectively.

**21. EMPLOYEE RETIREMENT BENEFIT**

The Company operates a funded defined contribution retirement benefit scheme for its employees in compliance with the provisions of the Pension Reform Act 2004. A defined contribution plan is a pension plan under which the company pays fixed contributions to an approved Pension Fund Administrator (PFA) - a separate entity. The assets of the scheme are managed by various Pension Fund Administrators patronised by employees of the Company.

The company's contribution to the defined contribution scheme is charged to the profit and loss account in the year to which they relate. The amount accrued as at December 31, 2010 was \$212,898 (2009: Nil).

**22. CAPITAL COMMITMENT**

The Company had no capital commitments as at December 31, 2010 (2009: Nil),

**23. CONTINGENT LIABILITIES**

As stated in Note 2, the Company will make a further payment to SPDC, Total and AGIP of US\$33,000,000 (thirty three million United States Dollars) within 30 days of the second anniversary of Acquisition Completion - July 31, 2012, if the average price per barrel of Brent crude oil over the period from Acquisition Completion to the second anniversary of Acquisition Completion exceeds US\$ 80 per barrel.

Jolly Ogholoja & Anor versus Spdc & Seplat: The claim is all money due as compensation for the acquisition of oil wells 4, 5, & 6 within Obotie "Cut-up" in Sapele Local Government Area of Delta State. Seplat's legal consultants do not envisage any monetary liability beyond the N100,000,000 (One Hundred Million Naira) claimed as special damage for acquisition of the land.

No provision has been made in these financial statements for the above contingent liabilities (2009: Nil).

**24. POST BALANCE SHEET EVENTS**

No events or transactions have occurred since the balance sheet date which would have a material effect upon the financial statements at that date or which need to be mentioned in the financial statements in order not to make them misleading as to the financial position or results of operations (2009: Nil).

**25. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Board of Directors on May 23, 2011 (2009: ).

**26. RELATED PARTY TRANSACTIONS**

Seplat is owned by 3 entities - Maurel & Prom, Shebah and Platform in ratio 45:33:22 respectively.

The following table provides the nature and amounts of transactions entered into by the Company during the year with related parties:

(for information regarding outstanding balances at December 31, 2010 refer to Notes 5 and 5a)

<b>Entity</b>	<b>Transaction</b>	<b>Amount (\$)</b>
Maurel & Prom (Shareholder in Seplat)	Loan principal	153,000,000
	Loan interest	6,734,225
	Loan interest repayment	(5,821,746)
	Other intercompany transactions	408,002
Shebah	Advance for the purchase/lease of FPSO Trinity Spirit	15,000,000
Directors	Emoluments and fees	1,680,749
AbbeyCourt Petroleum Co. Ltd	Investment Opportunities Fund - Deposit	25,000,000

(Certain directors on the board of AbbeyCourt also sit on the board of Seplat).

The MOU between Seplat and AbbeyCourt stipulates that the fund shall be exclusively used by AbbeyCourt on the behalf of Seplat to explore and acquire rights to strategic opportunities in the African Oil & Gas sector.

Upon the second anniversary of the MOU dated March 22, 2010, AbbeyCourt shall return to Seplat the unused portion of the fund within 3 business days of such first anniversary.

**SEPLAT PETROLEUM DEVELOPMENT COMPANY LIMITED**

**DECLARATION OF ADDED VALUE FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010	%	2009
	\$		
Turnover	94,594,558		-
Overlift	(10,659,984)		-
	83,934,574		-
Cost of goods and other services – Local	(33,146,726)		-
<b>Value added by trading operations</b>	<b>50,787,848</b>	<b>100</b>	-
To Employees			
- As salaries and labour related expenses	1,897,402		4
To providers of capital			
- Bank loan	3,358,285	7	-
- Shareholder loan	6,734,225	13	-
To Government:			
- As education tax	791,000	2	-
- As petroleum profit tax	16,424,000	32	-
Retained for Company's future			
- Depreciation, depletion, amortisation	10,917,776	21	-
- Deferred taxation	3,519,000	7	-
- Retained profit	7,146,160	14	-
	<b>50,787,848</b>	<b>100</b>	-

The value added represents the wealth created through the use of the Company's assets by its employees.

**SEPLAT PETROLEUM DEVELOPMENT COMPANY LIMITED**

**TWO-YEAR FINANCIAL SUMMARY**

	<b>2010</b>	<b>2009</b>
	\$	\$
<b>CAPITAL EMPLOYED</b>		
Share capital	689,655	689,655
Share premium	40,000,000	-
Reserve	7,114,427	(31,733)
	47,804,082	657,922
<b>ASSETS AND LIABILITIES</b>		
Goodwill	121,147,336	-
Intangible assets	216,583,859	8,454,584
Tangible fixed assets	5,015,527	-
Called up share capital not paid	-	689,655
Net current liabilities	(291,423,640)	(8,486,317)
Provision for liabilities and charges	(3,519,000)	-
	47,804,082	657,922
<b>TURNOVER</b>	<b>83,934,574</b>	-
Profit/(loss) before taxation	27,880,160	(31,733)
Taxation	(20,734,000)	-
<b>PROFIT FOR THE YEAR</b>	<b>7,146,160</b>	<b>(31,733)</b>
<b>EARNINGS PER SHARE (\$)</b>	<b>0.07</b>	<b>(0.0003)</b>

**SEPLAT PETROLEUM DEVELOPMENT COMPANY LIMITED**

**SUPPLEMENTARY FINANCIAL INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

**1. Estimated Quantities of Proved Reserves**

	<b>2010</b>	<b>2009</b>
	<b>bbl</b>	<b>bbl</b>
Crude Oil (barrels - bbl):		
At beginning of the year	24,608,250	-
Production	(974,263)	-
At end of the year	<b>23,633,987</b>	-

Proved reserves are those quantities of crude oil, natural gas and gas liquid that, upon analysis of geological and engineering data, appear with reasonable certainty to be recoverable in the future from known reservoirs under existing economic and operating conditions.

Developed reserves are those portions of proved reserves that are recoverable through existing well bores and production equipment and facilities.

As additional information becomes available or conditions change, estimates are revised.

**2. Capitalised Costs Related to Oil Producing Activities**

	2010	2009
	\$	\$
Capitalised costs:		
Proved properties	227,307,248	-
Total capitalised costs	227,307,248	-
Accumulated depreciation, depletion and amortisation	(10,723,389)	-
Net capitalised costs	<b>216,583,859</b>	-

Capitalised costs include the cost of equipment and facilities for oil producing activities. Unproved properties include capitalised costs for oil leaseholds under exploration, and uncompleted exploratory well costs, including exploratory wells under evaluation. Proved properties include capitalised costs for oil leaseholds holding proved reserves, development wells and related equipment and facilities (including uncompleted development well costs) and support equipment.

### 3. Concessions

The original, expired and unexpired terms of concessions granted the company as of December 31, 2010 are:

	Original	Term in Years Expired	Unexpired
OML 4, 38 & 41	10	1	9

### 4. Results of Operations for Oil Producing Activities

	2010	2009
	\$	\$
Turnover	83,934,574	-
Production and administrative expenses	(45,136,638)	-
Depreciation, depletion and amortisation	(10,917,776)	-
	27,880,160	-
Taxation	(20,734,000)	-
<b>Profit after taxation</b>	<b>7,146,16</b>	-

## **20.2 Financial information pro forma**

None.

## **20.3 Financial statements**

Please refer to section 20.1.1 of this prospectus.

## **20.4 Auditing of historical annual financial information**

### **20.4.1 Auditing of historical annual financial information of the Company and Seplat**

#### *20.4.1.1 Auditing of historical annual financial information of the Company*

- (a) Statutory auditors' report on the consolidated financial statements of the Company as at 31 December 2010 to the attention of the members of Seplat

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the group's management report.

This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

INTERNATIONAL AUDIT COMPANY  
46 Rue du Général Foy  
75008 Paris  
SAS with capital of EUR 46,000

Statutory auditor  
Member of the Paris auditors' association

FRANÇOIS CARREGA  
13 Boulevard des Invalides  
75007 Paris

Statutory auditor  
Member of the Paris auditors' association

**Maurel & Prom Nigeria**  
Year ended 31 December 2010

## **Statutory Auditors' Report on the consolidated financial statements Year ended December 31, 2010**

To the shareholders,

In compliance with the assignment entrusted to us by your articles of association and your general meeting, we hereby report to you, for the year ended 31 December 2010, on:

- the audit of the accompanying consolidated financial statements of of Maurel & Prom Nigeria;
- the justification of our assessments;
- the specific verification and information required by law.

These consolidated financial statements have been approved by the board of directors. Our role is to express an opinion on these consolidated financial statements based on our audit. These financial statements were prepared for the first time in accordance with International Financial Reporting Standards as adopted by the European Union. They include, for comparison purposes, information relating to year ended 31 December 2009, restated in accordance with those standards.

Please be aware that, as your company was not previously required to publish consolidated financial statements, the consolidated financial statements for the previous year are unaudited.

### **I. Opinion on the consolidated financial statements**

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2010 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to Note 23: "Events after the reporting period", which indicates the status of the refinancing of the Nigerian subsidiary Seplat.

## II. Basis of the assessment

In accordance with Article L. 823-9 of the French Commercial Code relating to the basis of our assessment, we bring to your attention the following matters:

- As disclosed in Note 1: "General", Note 2.1: "Consolidation methods" and Note 3: "Change in the composition of the group", your group has acquired a 45% stake in the Nigerian company Seplat. On 30 July 2010, Seplat acquired a 45% stake in the Nigerian onshore Oil Mining Licenses (OMLs) 4, 38 and 41. Seplat is consolidated in the group's financial statements according to the proportionate consolidation method.

We have verified the proper accounting treatment of this consolidation and the relevance of the information provided in the Notes to the financial statements.

- As disclosed in Note 2.3: "Oil activity assets", Note 2.5: "Assets depreciation", Note 4: "Intangible assets" and Note 5: "Property, plant and equipment", your group depreciates its intangible fixed assets (purchased reserves) and property, plant and equipment (oil production assets), and records impairment of these assets, where applicable, based on the economic value of the recoverable oil reserves.

Our assessment of the reasonable nature of the data and assumptions used for the valuation of the abovementioned assets is based on the conclusion of the independent expert appointed by the group for the evaluation of hydrocarbon reserves.

The assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed as which is expressed in the first part of this report.

## III. Specific verification

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the group's management report.

We have no matters to report regarding its fair presentation and its consistency with the consolidated financial statements.

Paris, 10 June 2011

The statutory auditors

INTERNATIONAL AUDIT COMPANY  
[Signed]

François CARREGA  
[Signed]

Daniel de Beaurepaire

Maurel & Prom Nigeria  
Year ended 31 December 2010

(b) Statutory auditors' report on the annual financial statements of the Company as at 31 December 2010

This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders.

This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

INTERNATIONAL AUDIT COMPANY  
46 Rue du Général Foy  
75008 Paris  
SAS with capital of EUR 46,000

FRANÇOIS CARREGA  
13 Boulevard des Invalides  
75007 Paris

Statutory auditor  
Member of the Paris auditors' association

Statutory auditor  
Member of the Paris auditors' association

### **Maurel & Prom Nigeria**

Year ended 31 December 2010

## **Statutory Auditors' Report on the statutory financial statements for the year ended December 31, 2010**

To the shareholders,

In compliance with the assignment entrusted to us by your Articles of Association and your General Meeting, we hereby report to you, for the year ended December 31, 2010, on:

- the audit of the accompanying financial statements of of Maurel & Prom Nigeria;
- the justification of our assessments;
- the specific verification and information required by law.

These annual financial statements have been approved by the board of directors. Our role is to express an opinion on these annual financial statements based on our audit.

### **I. Opinion on the financial statements**

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at December 31, 2010 and the results of its operations for the year then ended, in accordance with French accounting principles.

Without qualifying our opinion, we draw attention to the matters discussed in note 3.14: "Events after the reporting period", which indicates the status of the refinancing of the Nigerian subsidiary Seplat.

### **II. Basis of the assessment**

In accordance with the requirements of article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- As disclosed in Note 3.1: "Significant events", Note 3.2: "accounting policies", Note 3.3.1: "Equity Investments" and Note 3.3.2: "Other receivables", your group acquired a 45% stake in the Nigerian

company Seplat early 2010 and contributed to the financing of Seplat through granting a loan. Our assessment of the reasonableness of the information and assumptions used to appraise the aforementioned assets is based on the conclusion of the independent expert instructed by your company to evaluate Seplat's hydrocarbon reserves.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

### **III. Specific verifications and information**

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Paris, 10 June 2011

The statutory auditors

INTERNATIONAL AUDIT COMPANY  
[Signed]

François CARREGA  
[Signed]

Daniel de Beaurepaire

Maurel & Prom Nigeria  
Year ended 31 December 2010

#### 20.4.1.2 Auditing of historical annual financial information of Seplat

- (a) Statutory auditors' report on the annual financial statements of Seplat as at 31 December 2010

##### **Report on the financial statements**

We have audited the accompanying financial statements of Seplat Petroleum Development Company Limited, which comprise the balance sheet as at December 31, 2010, the profit and loss account, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

##### **Directors' responsibility for the financial statements**

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the relevant standards issued by the Nigerian Accounting Standards Board and the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and for such internal control as the directors determines necessary to enable the preparation of financial statements that are free of material misstatements, whether due to fraud or error.

##### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

##### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Seplat Petroleum Development Company Limited as at December 31, 2010 and its financial performance and its cashflows for the year then ended in accordance with the relevant standards issued by the Nigerian Accounting Standards Board and provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004.

Lagos, Nigeria

....., 2011

#### 20.4.2 Auditing of information contained in this prospectus by the statutory auditors

Concerning this information, it is referred to sections 1.2 (completion-of-work letter from the statutory auditors) and 10.4.2 (auditors's certificate on the self financing capacity) of this prospectus.

#### **20.5 Age of latest financial information**

The age of the latest financial information of the Company which have been audited by its statutory auditors are those of the first half year consolidated financial statements as at 30 June 2011 (see section below of this prospectus).

## **20.6 Interim and other financial information**

### **20.6.1 Company's first half year consolidated financial statements as at 30 June 2011**

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## I. STATEMENT OF FINANCIAL POSITION

### Assets

<i>In thousands of EUR</i>	Notes	30/06/2011	31/12/2010
Intangible assets	3	56,536	62,724
Tangible assets	4	61,720	72,351
Non-current financial assets	5	18,184	34,942
Deferred tax assets	13	499	1,818
<b>Non-current assets</b>		<b>136,939</b>	<b>171,835</b>
Inventories		997	0
Trade receivables and related accounts	6	21,061	14,403
Other current financial assets	6	59,394	52,612
Other current assets	6	969	907
Cash and cash equivalents	7	31,116	10,279
<b>Current assets</b>		<b>113,537</b>	<b>78,201</b>
<b>Total assets</b>		<b>250,476</b>	<b>250,036</b>

### Liabilities

<i>In thousands of EUR</i>	Notes	30/06/2011	31/12/2010
Share capital		133,434	133,434
Consolidated reserves		(2,662)	(1,696)
Group income		2,198	1,445
<b>Equity, Group share</b>		<b>132,970</b>	<b>133,183</b>
Non-controlling interests		0	0
<b>Total shareholders' equity</b>		<b>132,970</b>	<b>133,183</b>
Non-current provisions		113	0
Non-current derivative instruments	10	10,047	8,163
Deferred tax liabilities	13	420	1,688
<b>Non-current liabilities</b>		<b>10,580</b>	<b>9,851</b>
Other current borrowings and financial debt	8	65,753	71,223
Trade payables and related	9	2,882	6,873
Tax liabilities payable	13	20,289	5,531
Other accounts payable and other liabilities	9	17,462	23,376
Current provisions		540	0
<b>Current liabilities</b>		<b>109,926</b>	<b>107,003</b>
<b>Total liabilities</b>		<b>250,476</b>	<b>250,036</b>

## Changes in net equity

In thousands of EUR	Capital	Additional paid-in capital	Other reserves	Conversion adjustment	Net Income for the period	Equity, Group share	Non- controlling interests	Total sharehol- ders' equity
<b>1 January 2010</b>	<b>37</b>				<b>(2)</b>	<b>35</b>		<b>35</b>
Net income					(10)	(10)		(10)
Other components of comprehensive income								
<b>Total comprehensive income</b>					<b>(10)</b>	<b>(10)</b>		<b>(10)</b>
Appropriation of income (losses)			(2)		2			
Capital increase/decrease								
<b>Total transactions with shareholders</b>			<b>(2)</b>		<b>2</b>			
<b>30 June 2010</b>	<b>37</b>		<b>(2)</b>		<b>(10)</b>	<b>25</b>		<b>25</b>
<b>1 January 2011</b>	<b>133,434</b>		<b>(2)</b>	<b>(1,694)</b>	<b>1,445</b>	<b>133,183</b>		<b>133,183</b>
Net income					2,198	2,198		2,198
Other comprehensive income items				(2,412)		(2,412)		(2,412)
<b>Total comprehensive income</b>				<b>(2,412)</b>	<b>2,198</b>	<b>(213)</b>		<b>(213)</b>
Appropriation of income (losses)			1,445		(1,445)			
Capital increase/decrease								
<b>Total transactions with shareholders</b>			<b>1,445</b>		<b>(1,445)</b>			
<b>30 June 2011</b>	<b>133,434</b>		<b>1,443</b>	<b>(4,106)</b>	<b>2,198</b>	<b>132,970</b>		<b>132,970</b>

## II. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### Net income for the period

<i>In thousands of EUR</i>	Notes	30/06/2011	30/06/2010*
<b>Sales</b>		72,022	0
Other purchases and operating expenses		(8,967)	(10)
Taxes & duties		(14,896)	0
Payroll expenses		(818)	0
Amortization allowances		(7,844)	0
Allowances for provisions and impairment of current assets		(2,324)	0
Other expenses		(104)	0
<b>Operating income</b>	<b>11</b>	<b>37,069</b>	<b>(10)</b>
Cost of gross financial debt		(2,751)	0
Net gain or losses on derivative instruments		(2,574)	0
Cost of financial debt		(5,326)	0
Other financial income and expenses		(5,993)	0
<b>Financial result</b>	<b>12</b>	<b>(11,319)</b>	<b>0</b>
<b>Pre-tax income</b>		<b>25,750</b>	<b>(10)</b>
Income tax expense	13	(23,552)	0
<b>Net income from consolidated companies</b>		<b>2,198</b>	<b>(10)</b>
<b>Earnings per share</b>			
Basic		0.02	0.00
Diluted		0.02	0.00

\*Company financial statements

### Comprehensive income for the period

<i>In thousands of EUR</i>	30/06/2011	30/06/2010*
<b>Net income for the period</b>	<b>2,198</b>	<b>(10)</b>
<b>Other comprehensive income items</b>		
Conversion adjustment	(2,412)	0
<b>Total comprehensive income for the period</b>	<b>(214)</b>	<b>(10)</b>
- Group share	(214)	(10)
- Non-controlling interests	0	0

\*Company financial statements

### III. CASH FLOW STATEMENT

In thousands of EUR	Notes	30/06/2011	31/12/2009*
<b>Consolidated net income from continuing operations</b>		<b>2,198</b>	<b>(10)</b>
Tax expense for continuing operations		23,552	0
<b>Consolidated pre-tax income from continuing operations</b>		<b>25,750</b>	<b>(10)</b>
- Net contribution (reversal) of amortization and provisions		10,411	0
- Unrealized gains and losses due to changes in fair value		2,574	0
- Exploration posted as expense and write off expense		0	
- Other calculated income and expenses		0	
- Gains and losses from sales of assets		0	
- Other financial items		2,826	
<b>Cash flow before taxes</b>		<b>41,561</b>	<b>(10)</b>
Payment of tax due		(7,856)	
Change in working capital requirements for operations		(7,634)	259
- Trade receivables		(7,975)	
- Trade payables		(3,579)	4
- Inventories		(1,027)	
- Other		4,947	255
<b>Net cash flow from operating activities</b>		<b>(26,071)</b>	<b>249</b>
Disbursements for acquisitions of tangible and intangible assets		(901)	
Receipts from sale of tangible and intangible fixed assets		0	
Disbursements for investments in a joint venture		0	(226)
<b>Net cash flow from investment activities</b>		<b>(901)</b>	<b>(226)</b>
Receipts from new loans		63,349	0
Interest paid		(2,826)	
Borrowing repayments		(67,845)	
<b>Net cash flow from financing activities</b>		<b>(7,322)</b>	<b>0</b>
Impact of foreign currency fluctuations		2,982	
<b>Change in net cash</b>		<b>20,831</b>	<b>23</b>
Cash and cash equivalents at start of period		10,279	37
<b>Cash and cash equivalents at end of period</b>	<b>7</b>	<b>31,110</b>	<b>60</b>

\*Company financial statements

## **NOTE 1: OVERVIEW**

The Maurel & Prom Nigeria Group ("the Group") consists of a holding structure; Maurel & Prom Nigeria, and Seplat.

Maurel & Prom Nigeria was incorporated by Etablissements Maurel & Prom on 15 October 2009. With €133 million in capital, it has only one asset: a 45% interest in the Nigerian company Seplat ("the Company"), which it controls jointly with the Nigerian firms Shebah and Platform (which respectively own 33% and 22% of Seplat's capital).

On 30 July 2010, Seplat acquired the 45% interest held by Shell, Total and Agip in the association created with the Nigerian National Petroleum Company ("NNPC") to operate the onshore Nigerian OMLs 4, 38 and 41. Seplat is the association's operator. The assets in operation correspond to four developed fields (Oben, Amukpe, Ovhor and Sapele), nine undeveloped fields and one 24" pipeline with a daily capacity of 50 KBPD (Amukpe–Rapele section).

The assets acquired were in operation until 2008, when an incident disrupted the hydrocarbon transportation system and required operations to be put on hold. One of the Group's primary objectives has been to get the assets back online in order to establish a recurring source of cash flow. Work during the first half of the year focused on analysing historical data, optimising well operations, taking over the existing wells and opening them up again. This work has been reflected in a significant increase in production (+40% since production started up again). At 30 June 2011, production with 100% in operation represented 4.4 million barrels, giving a production of 4,961 barrels per day (0.9 million barrels) for the Group share. Maximising production is still one of the Company's objectives.

In addition, Seplat has signed a transportation and handling contract with Shell to carry oil to the Forcados terminal, as well as a memorandum of understanding with Shebah and Alenne British Virgin Islands Limited for the possible leasing or acquisition of a floating oil production, storage and offloading unit ("Trinity Spirit" FPSO).

The acquisition of interests in the OMLs represents a \$340 million investment, combined with an earnout capped at \$33 million, with the corresponding amount to depend on the price per barrel over the two years following the acquisition.

Seplat has financed this investment thanks to a \$153 million repayable advance granted by Maurel & Prom Nigeria and a \$187 million loan taken out with BNP. Seplat has also benefited from funds contributed by its shareholders for \$88.9 million.

In March 2011, SEPLAT paid back all of the \$187 million bridge loan it had taken out in July with BNP, which represented a total of \$167 million at 31 December 2010. SEPLAT is currently negotiating with a banking pool to set up a \$550 million credit line, which should enable it to restructure its debt and finance its growth. Before setting up this financing facility, \$200 million was freed up at the end of March 2011 for SEPLAT under a four-month bridge loan (renewed at the end of July 2011 for a further four-month period), with interest at 5% over LIBOR. Under this loan, Seplat has pledged securities to the lending institution.

## NOTE 2: ACCOUNTING METHODS

The Maurel & Prom Nigeria Group's interim condensed consolidated financial statements at 30 June 2011 have been prepared in accordance with IAS 34 Interim Financial Reporting, which allows a selection of notes to be presented. As such, the interim condensed consolidated financial statements do not include all the notes and information required by IFRS for annual financial statements, and must therefore be read together with the annual financial statements for 2010.

The accounting principles applied for the interim accounts are not significantly different from those used for the consolidated financial statements at 31 December 2010, drawn up in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and available online at [http://ec.europa.eu/internal\\_market/accounting/ias\\_fr.htm#adopted-commission](http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission).

New legislation or amendments adopted by the European Union and mandatory from 1 January 2011 were taken into account:

- Amendments to IAS32 (relating to the classification of rights issues);
- IAS24R concerning the revision of the standard for related-party disclosures;
- IFRIC14 on prepayments of minimum funding requirements;
- IFRIC19 on extinguishing financial liabilities with equity instruments.
- 2010 improvements to IFRS relating to:
  - Amendment to IFRS 3 Business Combinations;
  - Amendment to IFRS7 Financial Instruments: Disclosures;
  - Amendment to IAS1 Presentation of Financial Statements;
  - Amendment to IFRIC13 Customer Loyalty Programmes;
  - Amendment to IAS34 Interim Financial Reporting.

These new standards and interpretations have not had any material impact on the consolidated accounts at 30 June 2011.

The Group has opted against the early application of any standards or interpretations that were not mandatory at 1 January 2011:

- IAS12 Recovery of Underlying Assets
- IFRS7 Disclosures for Transfers of Financial Assets
- IFRS9 Financial Instruments
- IFRS10 Consolidated Financial Statements
- IFRS12 Disclosure of Interests in Other Entities
- IFRS13 Fair Value Measurement
- IAS27R Separate Financial Statements
- IAS28R Investments in Associates and Joint Ventures

The IASB's adoption of IFRS11 Partnerships will result in the Group reconsidering the presentation of its interests in joint ventures, as relevant.

This standard will apply for financial years starting from 1 January 2013.

IFRS have been applied by the Group consistently for all the periods presented.

The preparation of consolidated financial statements under IFRS requires the Group to make accounting choices, make a number of estimates and use certain assumptions that affect the reported amounts of assets and liabilities, the notes on the assets and liabilities at the closing date, and the revenues and expenses during the period. Changes in facts and circumstances may lead the Group to review such estimates.

The results obtained may significantly differ from such estimates when different circumstances or assumptions are applied.

In addition, when a specific transaction is not treated by any standard or interpretation, the Group's Management uses its own discretion to define and apply the accounting methods that will provide relevant and reliable information. The financial statements fairly present the Group's financial position, performance and cash flows. They reflect the substance of transactions, are prepared in a prudent manner, and are complete in all material respects.

### NOTE 3: INTANGIBLE ASSETS

#### Changes in intangible assets

<i>In thousands of EUR</i>	Oil search and exploitation rights	Other	Total
<b>Gross value as of 01/01/2010</b>	<b>0</b>	<b>0</b>	<b>0</b>
Exploration investments	63,980		63,980
Conversion adjustments	(460)		(460)
Transfers			
<b>Gross value as of 31/12/2010</b>	<b>63,520</b>	<b>0</b>	<b>63,520</b>
Exploration investments	0	53	53
Conversion adjustments	(4,795)	(2)	(4,797)
Transfers	0	0	0
<b>Gross value at 30/06/2011</b>	<b>58,725</b>	<b>51</b>	<b>58,776</b>
<b>Cumulative depreciation and amortisation as of 01/01/2010</b>	<b>0</b>	<b>0</b>	<b>0</b>
Amortisation allowance	802		802
Conversion adjustments	(6)		(6)
<b>Cumulative depreciation and amortisation as of 31/12/10</b>	<b>796</b>	<b>0</b>	<b>796</b>
Amortisation allowance	1,549	0	1,549
Conversion adjustments	(105)	0	(105)
<b>Cumulative depreciation and amortisation as of 30/06/2011</b>	<b>2,240</b>	<b>0</b>	<b>2,240</b>
<b>Net book value as of 30/06/2011</b>	<b>56,485</b>	<b>51</b>	<b>56,536</b>
<b>Net book value as of 31/12/2010</b>	<b>62,724</b>	<b>0</b>	<b>62,724</b>

#### Exploration investments

The acquisition of Nigerian assets has led to €63,980,000 being identified as oil search and exploration rights.

The reserves acquired are amortised at depletion.

## NOTE 4: TANGIBLE ASSETS

### Changes in tangible assets

<i>In thousands of EUR</i>	Land and buildings	Technical facilities	Down payments and constructions in progress	Other fixed assets	Total
<b>Gross value as of 01/01/2010</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Development / prod. investments	189	72,688	1,640	1,488	76,005
Conversion adjustment	(1)	(522)	(12)	(11)	(546)
Transfers	0	0	0	0	0
<b>Gross value as of 31/12/2010</b>	<b>188</b>	<b>72,166</b>	<b>1,628</b>	<b>1,477</b>	<b>75,459</b>
Development / prod. investments	4	147	145	552	848
Conversion adjustment	(11)	(5,520)	(86)	(104)	(5,721)
Transfers	(124)	2,362	(1,424)	(805)	9
<b>Gross value as of 30/06/2011</b>	<b>57</b>	<b>69,155</b>	<b>263</b>	<b>1,120</b>	<b>70,595</b>
<b>Cumulative depreciation and amortisation as of 01/01/2010</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Amortisation allowance	7	3,064	0	59	3,130
Conversion adjustment	0	(22)	0	(1)	(23)
Transfers	0	0	0	0	0
<b>Cumulative depreciation and amortisation as of 31/12/2010</b>	<b>7</b>	<b>3,042</b>	<b>0</b>	<b>58</b>	<b>3,107</b>
Amortisation allowance	3	5,960	0	221	6,184
Conversion adjustment	(1)	(402)	0	(15)	(418)
Transfers	0	0	0	0	0
<b>Cumulative depreciation and amortisation as of 30/06/2011</b>	<b>9</b>	<b>8,600</b>	<b>0</b>	<b>264</b>	<b>8,873</b>
<b>Net book value as of 30/06/2011</b>	<b>48</b>	<b>60,555</b>	<b>263</b>	<b>856</b>	<b>61,720</b>
<b>Net book value as of 31/12/2010</b>	<b>181</b>	<b>69,124</b>	<b>1,628</b>	<b>1,419</b>	<b>72,352</b>

### Development/production investments

Tangible fixed assets correspond virtually exclusively to the acquisition of technical facilities for OMLs 4, 38 and 41 in 2010.

Investments over the period focused on reopening existing wells and putting metering facilities in place.

At 30 June 2011, there were no signs of any impairment in value to report on the Nigerian tangible and intangible assets.

## NOTE 5: OTHER NON-CURRENT FINANCIAL ASSETS

This item consists of the portion for over one year of the advance granted by Maurel & Prom Nigeria to Seplat.

Since the subsidiary is proportionately consolidated, the amount recognised in the Group's accounts corresponds to 55% of the debt for over one year (i.e. the share of interests held by the partners Shebah and Platform), coming to €18,184,000.

This advance, representing a total of \$122 million at 100% at 30 June 2011, accrues interest at a rate of 7.125%.

Seplat is currently negotiating to refinance the existing \$200 million debt facility and put additional financing in place for at least \$350 million with a banking pool. This refinancing will make it possible to restructure Seplat's initial debt and will give Seplat the possibility to pay back part of the shareholder advance from Maurel & Prom Nigeria (\$75 million, recorded as a current asset in this respect). This refinancing will also make it possible to call up additional financing allocated for developing Seplat's business portfolio.

## NOTE 6: TRADE RECEIVABLES AND OTHER CURRENT ASSETS

Trade receivables correspond to the production sold to Shell.

Other current financial and non-financial assets consist of the following items:

<i>In thousands of EUR</i>		
	30/06/2011	31/12/2010
<b>Other current financial assets</b>		
Receivables from holdings and partnerships	48,840	38,429
Loans and other borrowings	0	9
Sundry debtors	12,500	14,175
<b>Gross value</b>	<b>61,339</b>	<b>52,612</b>
Impairment for deduction	(1,946)	0
<b>Net value</b>	<b>59,393</b>	<b>52,612</b>
<b>Other current assets</b>		
Prepayments	974	889
Tax and social security receivables (non-corporation tax)	0	4
Other assets	(5)	14
<b>Gross value</b>	<b>969</b>	<b>907</b>
Impairment for deduction	0	0
<b>Net value</b>	<b>969</b>	<b>907</b>

### Receivables on investments and associations:

At 30 June 2011, this item consisted primarily of the following:

- A €5,429,000 receivable owed by Seplat to **NPDC**. This receivable stems from 55% of the costs incurred by the partnership being invoiced back to the partner;
- A €14,853,000 receivable owed by Maurel & Prom Nigeria to its parent company Maurel & Prom, concerning funds to be repaid to Maurel & Prom Nigeria by Maurel & Prom;

- The current portion of Maurel & Prom Nigeria's advance to Seplat, representing €28 million, corresponding to \$75 million for the share attributable to the partners Shebah and Plateform (55%).

#### Sundry debtors:

This item primarily concerns advances paid by Seplat on the acquisition price for a hydrocarbon evacuation and processing facility (\$15M at 100%) and a deposit paid to Abbey Court (\$25 million), the company entrusted with a mission to look into opportunities for external growth in Nigeria (cf. Note 14 Related Parties). This deposit has been depreciated for \$6.2 million at 100%.

#### NOTE 7: CASH AND CASH EQUIVALENTS

Cash equivalents include liquid assets and investments with a term of less than three months.

<i>In thousands of EUR</i>	31/06/2011	31/12/2010
Liquid assets, banks and other financial institutions	31,116	10,279
Short-term bank deposits	0	0
Transferable securities	0	0
<b>Total</b>	<b>31,116</b>	<b>10,279</b>
Bank loans	6	0
<b>Net cash and cash equivalents at end of period</b>	<b>31,110</b>	<b>10,279</b>

At 30 June 2011, Maurel & Prom Nigeria had €31.1 million in net cash, with the main fluctuations over the period presented below:

- Working capital requirements: -€15.5 million, with -€7.9 million linked to tax
- Cash flow from operations: €41.6 million

#### NOTE 8: OTHER BORROWINGS AND FINANCIAL DEBT

Other borrowings and financial debt are detailed below:

<i>In thousands of EUR</i>	Currency	30/06/2011		31/12/2010	
		Current	Non-current	Total	Total
<b>Other borrowings and debts</b>		<b>65,748</b>	<b>0</b>	<b>65,748</b>	<b>71,223</b>
BNP – Escompte	USD		0		14,431
BNP – loan	USD		0		56,792
AFREXIM - loan	USD	65,748	0	65,748	0
<b>Bank loans</b>		<b>6</b>	<b>0</b>	<b>6</b>	<b>0</b>
<b>Total other borrowings and financial debt</b>		<b>65,753</b>	<b>0</b>	<b>65,753</b>	<b>71,223</b>

In July 2010, Seplat took out a \$187 million loan with BNP, maturing at the end of March 2011. This loan, guaranteed by a collateral deposit for an equivalent amount paid by the company Etablissements Maurel & Prom SA to this bank, was subject to a first repayment for \$20 million at 31 December 2010 and then paid back in full in March 2011 following the \$200 million bridge loan set up with the bank AFREXIM. The repayment of this loan, initially set for the end of July 2011, has been put back to the end of November 2011 in connection with the Company's current negotiations with a banking pool, looking to set up a structured financing facility between now and the end of the year.

**NOTE 9: TRADE PAYABLES – OTHER CREDITORS AND OTHER FINANCIAL LIABILITIES**

<i>In thousands of EUR</i>	30/06/2011			31/12/2010		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
<b>Trade payables</b>	<b>2,882</b>	<b>0</b>	<b>2,882</b>	<b>6,873</b>	<b>0</b>	<b>6,873</b>
Trade payables	676	0	676	2,645	0	2,645
Accrued expenses	2,206	0	2,206	4,228	0	4,228
<b>Other creditors and sundry liabilities</b>	<b>17,462</b>	<b>0</b>	<b>17,462</b>	<b>23,376</b>	<b>0</b>	<b>23,376</b>
Social security liability	443	0	443	72	0	72
Tax liability	563	0	563	468	0	468
Sundry creditors	16,456	0	16,456	22,835	0	22,835

**Trade payables and related accounts**

The balance of trade payables at 30 June 2011 primarily concerns Seplat's trade payables (€667,000);

The balance of accrued expenses at 30 June 2011 consists primarily of the sums payable to Shell for the transportation, processing and storage of production sold (€2,198,000).

**Other creditors and sundry liabilities**

At 30 June 2011, the balance of other creditors and sundry liabilities primarily covered a debt relating to royalties calculated at a rate of 20% on production (€10 million) and a debt relating to the overlift position (€6 million). The overlift corresponds to a situation in which the quantities lifted and billed exceed the extraction rights resulting from the quantities produced. In such a situation, sales are adjusted down against a liability.

## NOTE 10: NON-CURRENT DERIVATIVE INSTRUMENTS

<i>In thousands of EUR</i>	30/06/2011			31/12/2010
	Current	Non-current	Total	Total
<b>Financial instruments (assets)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Interest rate instruments</i>	0	0	0	0
<i>Currency instruments</i>	0	0	0	0
<i>Oil and gas instruments</i>	0	0	0	0
<b>Financial instruments (liabilities)</b>	<b>0</b>	<b>10,047</b>	<b>10,047</b>	<b>8,163</b>
<i>Interest rate instruments</i>	0	0	0	0
<i>Currency instruments</i>	0	0	0	0
<i>Hydrocarbon instruments</i>	0	10,047	10,047	8,163
<b>Total</b>	<b>0</b>	<b>(10,047)</b>	<b>(10,047)</b>	<b>(8,163)</b>
<i>Inc derivative instruments, assets</i>	0	0	0	0
<i>Inc other financial instruments, assets</i>			0	0
<i>Inc derivative instruments, liabilities</i>	0	10,047	10,047	8,163
<i>Inc other financial instruments, liabilities</i>			0	0
	0	(10,047)	(10,047)	(8,163)

The fair value of the earnout to be paid in connection with the acquisition of the Nigerian assets is recorded as a derivative instrument liability. This earnout, capped at \$33 million, will be paid if the average Brent price remains above \$80/bbl for 731 consecutive days from the date when the assets were acquired. At 30 June 2011, this derivative had a fair value of \$32.27 million at 100%, corresponding to a liability of €10,047,000 in the Group's accounts. This instrument's fair value adjustments (-€2.6 million) are recognised through profit and loss under net gains and losses on derivative instruments.

## NOTE 11: OPERATING INCOME

<i>In thousands of EUR</i>	30/06/2011	30/06/2010 (1)
Sales	72,022	0
Gross margin*	63,055	(10)
EBITDA**	47,341	0
Amortisations for depletion	(7,844)	0
<b><i>Income from oil production and services activities</i></b>	<b>39,497</b>	<b>(10)</b>
Exploration as expense	0	0
<b><i>Income from oil services, exploration and production activities</i></b>	<b>39,497</b>	<b>(10)</b>
Income from asset disposal	0	0
Other operating items	(2,428)	0
<b>Operating income</b>	<b>37,069</b>	<b>(10)</b>

(1) Company financial statements

\* Gross margin corresponds to sales, net of services and purchases of materials and consumables.

\*\*Gross operating surplus corresponds to the gross margin net of taxes (excluding income tax) and personnel expenses.

The sales recorded correspond to the consolidation of 45% of Seplat's sales. Over the first half of the year, Seplat generated \$221 million in sales, corresponding to 1.9 million barrels sold at an average price of \$113.

## NOTE 12: FINANCIAL INCOME

<i>In thousands of EUR</i>	30/06/2011	30/06/2010
Interest on overdrafts	0	
Interest on other borrowings	(2,751)	
<b>Gross cost of debt</b>	<b>(2,751)</b>	<b>0</b>
Income from cash	0	
Net gains and losses on derivative instruments	(2,574)	
<b>Cost of net debt</b>	<b>(5,326)</b>	<b>0</b>
<b>Other net financial income and expenses</b>	<b>(5,993)</b>	<b>0</b>
Net exchange differences	(7,989)	
Other	1,996	
<b>Financial result</b>	<b>(11,319)</b>	<b>0</b>

The cost of gross debt corresponds to interest expenses on the bridge loans taken out with BNP (\$167 million for the first quarter) and Afrexim (\$200 million from the end of March).

The loss on derivative instruments stems from the variation in the fair value of the earnout between the date when the OMLs were acquired in August and the period-end date.

The exchange differences relate to the revaluation at the closing rate of the \$ advances granted by Maurel & Prom Nigeria to its subsidiary.

The other financial result items correspond to interest over the first half of the year on the advances granted by Maurel & Prom Nigeria to Seplat (recognised in the Group's accounts for the portion attributable to the partners).

## NOTE 13: CORPORATE INCOME TAX

### Breakdown of the charge for the period

<i>In thousands of EUR</i>	<b>30/06/2010</b>
Tax charge payable for the fiscal year	23,477
Deferred tax charge	75
<b>Total</b>	<b>23,552</b>

### Origin of deferred tax assets and liabilities

<i>In thousands of EUR</i>	<b>30/06/2011</b>	<b>31/12/2010</b>
Capitalisation of losses carried forward	499	1,278
Timing difference on oil taxes		540
<b>TOTAL DEFERRED TAX ASSETS</b>	<b>499</b>	<b>1,818</b>
Accelerated depreciation	420	1,688
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>420</b>	<b>1,688</b>
<b>Net</b>	<b>- 79</b>	<b>- 130</b>

### Change in current tax

<i>In thousands of EUR</i>	<b>30/06/2011</b>	<b>31/12/2010</b>
Current tax liabilities	20,289	5,531

Current tax liabilities represent €20,289,000, significantly higher than at 31 December 2010 (+€14,758,000) due to the increase in Seplat's taxable income linked directly to the ramping up of production and sales.

### Reconciliation of the tax charge and pre-tax income

<i>In thousands of EUR</i>	<b>30/06/2011</b>
Pre-tax income from continuing operations	25,751
- Net income from equity associates	0
<b>Pre-tax income excluding equity associates</b>	<b>25,751</b>
Theoretical tax charge : 65.75% for Nigeria	16,931
Reconciliation	
- Tax paid in kind	
- Non-capitalised loss on MP NIGERIA holding business	3,034
- Permanent tax differences	2,963
- Other	624
<b>Actual tax expense</b>	<b>23,552</b>

## NOTE 14: RELATED PARTIES

### Commercial and financial transactions

*In thousands of EUR*

30/06/2011	Income	Expenses	Amounts due from related parties (net)	Amounts due to related parties
<b>1) Joint ventures</b>				
- Seplat	3,403		46,580	0
<b>2) Other related parties</b>				
- Etablissements Maurel & Prom		207	15,060	84
- Shebah Exploration and Production / Allene British			4,670	
- Abbeycourt Petroleum Company Ltd			7,784	

*In thousands of EUR*

31/12/2010	Income	Expenses	Amounts due from related parties (net)	Amounts due to related parties
<b>1) Joint ventures</b>				
- Seplat	3,685		64,150	0
<b>2) Other related parties</b>				
- Etablissements Maurel & Prom		(2,702)	698	12,594
- Shebah Exploration and Production / Allene British			5,051	
- Abbeycourt Petroleum Company Ltd			8,419	

#### **Memorandum of understanding between Seplat, Shebah Exploration and Production Company Ltd. and Allene British Virgin Island Limited**

Seplat's oil and gas production is evacuated under a contract signed with Shell Petroleum Development Company (SPDC) in Nigeria.

To offset the potential dependency risk linked to having a single evacuation route for its production, Seplat signed a memorandum of understanding with Shebah Exploration and Production Ltd. and Allene British Virgin Islands Ltd. on 16 November 2010 concerning the leasing or acquisition of the floating oil production, storage and offloading unit (FPSO) "Trinity Spirit".

Seplat has paid a \$15 million deposit to Allene British Virgin Islands Limited, as a repayable advance. If relevant, this sum will be paid back by the contracting party as requested by Seplat if 1) Seplat decides to not acquire the FPSO; 2) Seplat decides to not lease the FPSO; 3) Seplat does not use the FPSO-based transportation, processing and delivery services for its oil production. The leasing or acquisition of the "Trinity Spirit" FPSO would therefore provide Seplat with an alternative means of transporting its hydrocarbons to the SPDC Nigeria pipeline.

## Memorandum of understanding signed between Seplat and Abbeycourt Petroleum Company Limited

In line with Seplat's ambition to grow its mining operations, it is looking into investment opportunities in new projects.

To implement this growth objective and be able to identify and negotiate the best opportunities, Seplat signed a two-year memorandum of understanding on 22 March 2010 with Abbeycourt Petroleum Company Limited ("APCO"), a company specialising in the oil and gas sector in Nigeria and West Africa.

To enable it to perform this mission effectively, Seplat has set up a \$25 million fund with APCO, which is the fund's manager. At the end of the agreement period, APCO will pay any amounts not committed for this mission back to Seplat. At 30 June 2011, a \$6.2 million expense (€2 million Group share) was recorded in this respect.

In connection with the missions to identify, structure and negotiate the strategic investments entrusted to it, APCO acts as Seplat's agent.

Mr. Ambroisie Bryant Chukwueloka Orjiako, a director with Etablissements Maurel & Prom SA, chairman of Shebah Exploration and Production Company Ltd and manager of Abbeycourt Petroleum Company Ltd, is concerned by these two agreements.

### NOTE 15: SEGMENT REPORTING

In accordance with IFRS 8, in effect since 1 January 2009, segment information is reported based on identical principles to those applied for internal reporting and shows the internal segment information defined for managing and measuring the Group's performance. Maurel & Prom Nigeria's activities are split into two segments: operations and holding.

The data are broken down for each segment based on the contributing accounts from entities that include consolidation adjustments.

<i>In thousands of EUR</i>	<b>Holding company</b>	<b>Production</b>	<b>Group</b>
<i>Free cash flow</i>	- 4,539	46,101	41,562
<i>Change in working capital requirements</i>	4,581	- 20,071	- 15,490
Cash flows from operating activities	42	26,030	26,072
Cash flows from investment activities		- 901	- 901
Cash flows from financing activities	- 74	- 2,853	- 2,927
Impact of exchange rate fluctuations		- 1,415	- 1,415
<b>Increase/decrease in cash flow</b>	<b>- 32</b>	<b>20,861</b>	<b>20,829</b>

Seplat has only one client: SPDC, a company that is a member of the internationally-renowned oil group Shell.

Income from ordinary operations corresponds exclusively to the sale of Forcados quality oil from OMLs 4, 38 and 41.

## **NOTE 16: CONTINGENT ASSETS AND LIABILITIES**

To the best of Maurel & Prom Nigeria's knowledge, there are no exceptional events, disputes, risks or off-balance sheet commitments that have not been recognised other than those presented in Note 1 "General information" and which could materially influence the Group's financial position, holdings, results or activities.

### **COMMITMENTS GIVEN**

#### **Guarantees given on loans**

In March 2011, Seplat paid back all of the \$187 million bridge loan it had taken out in July with BNP, which represented a total of \$167 million at 31 December 2010. Seplat is currently negotiating with a banking pool to set up a credit line for around \$550 million, which should enable it to restructure its debt and finance its growth. Before setting up this financing facility, a sum of \$200 million was freed up at the end of March for Seplat under a bridge loan with AFREXIM, with interest at 5% over LIBOR. Initially set for the end of July, the repayment of this loan has been put back to the end of November. Under this loan, Seplat has pledged securities to the lending institution.

### **COMMITMENTS RECEIVED**

Not applicable

20.6.2 Limited review report of the statutory auditors concerning the Company's first half year consolidated financial statements as at 30 June 2011

This is a free translation into English of the statutory auditors' report on the half-yearly financial information issued in French and it is provided solely for the convenience of English-speaking users. This report also includes information relating to the specific verification of information given in the group's management report.

This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

INTERNATIONAL AUDIT COMPANY  
46 Rue du Général Foy  
75008 Paris  
SAS with capital of EUR 46,000

FRANÇOIS CARREGA  
13 Boulevard des Invalides  
75007 Paris

Statutory auditor  
Member of the Paris auditors' association

Statutory auditor  
Member of the Paris auditors' association

## **Maurel & Prom Nigeria**

### **Statutory auditors' review report on the half-yearly financial information for 2011**

To the president,

In our capacity as statutory auditors for the company Maurel & Prom Nigeria and further to your request in the context of the listing of your company, we have carried out a limited review of the condensed half-yearly consolidated financial statements of the company Maurel & Prom Nigeria as attached to this report.

Please be aware that, as your company issued condensed consolidated interim financial statements as at 30 June 2011 for the first time, information concerning the period from 1<sup>st</sup> January 2010 to 30<sup>th</sup> June 2010 presented for comparison purposes has not been subject to an audit or a limited review.

These condensed half-yearly consolidated financial statements have been issued under the responsibility of your Board of Directors. It is our task, on the basis of our limited review, to give our conclusion on these financial statements.

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – standard of the IFRS as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to notes 1 "Overview" and 8 "Other borrowings and financial debt" which indicate that the company Seplat, consolidated under the proportionate consolidation method financing, is currently negotiating with a banking pool for setting up a structured finance by the end of the year. In this context, a bridge loan of 200 MUSD has been granted to Seplat at the end of March 2011 by a financial institution for a four month period, that has been renewed at the end of July 2011 for an additional four months. This loan encompasses the pledge of Seplat's shares to the benefit of this financial institution.

This report is governed by French law. The courts of France shall have exclusive jurisdiction over any claim, dispute or difference resulting from our engagement letter or the present report, or any related matters. Each party irrevocably waives its right to oppose any action brought before the French courts, to claim that the action is being brought before an illegitimate court or that the courts have no jurisdiction.

Paris, 6 September 2011

The statutory auditors

INTERNATIONAL AUDIT COMPANY  
[Signed]

François CARREGA  
[Signed]

Daniel de Beaurepaire

## **20.7 Dividend policy**

The dividend distribution policy is defined by the Company's board of directors. Among other things, it takes into account the Company's results, its financial position and Seplat's distribution policy.

The Company's policy regarding the management of its shareholders' equity mainly consists, as an exploration and production company, to make the necessary investments to develop its current and future production sources. The Company will however consider the opportunity, with regards to its cash needs and investment projects, to pay dividends in the coming financial years.

The Company did not distribute any dividends for the 2010 fiscal year and does not plan to make any such distribution for the 2011 fiscal year.

## **20.8 Legal and arbitration proceedings**

As at the date of this prospectus, neither the Company nor Seplat was implicated in any governmental, judicial or arbitration proceedings including any pending or threatened proceedings known to the Company that might have, or has had a significant impact on the Company's financial position or profitability over the course of the last 12 months, with the exception of a dispute between Seplat and Shell Petroleum Development Company of Nigeria Limited (SPDC) on one side and Messrs Jolly, Ogholoja and Anor on the other concerning the acquisition by Seplat and SPDC of wells 4, 5 and 6, located in the Obotie "cut up" near Sapele in the Delta State. Seplat's Nigerian legal advisors believe that the financial loss resulting from the acquisition of the lands concerned is unlikely to exceed the sum of NGN 100,000,000 (about EUR 450,000).

## **20.9 Significant change in the issuer's financial or trading position**

After the close of the half-yearly financial statements as at 30 June 2011, (i) in September 2011, Seplat reimbursed part of the shareholders' loan granted to it by the Company, in the amount of USD 75 million, and (ii) Maurel & Prom reimbursed the balance of its debt to the Company, in the amount of EUR 14.5 million.

As at the date of this prospectus, except for items described in this prospectus, no significant events likely to alter the Company's financial or trading position have occurred since 30 June 2011.

## **21. ADDITIONAL INFORMATION**

### **21.1 General information on share capital**

#### **21.1.1 Amount of share capital**

As of 31 October 2011, the Company's share capital was EUR 133,433,534.30, divided into 121,303,213 fully paid-up shares with a nominal value of EUR 1.10 each. Certain transactions expected to occur on the Company's share capital prior to the Distribution are described in section 26.1.7 of this prospectus.

Each share entitles its holder to a proportional share of the Company's profits and capital that it represents. The Company's share capital may be increased, reduced or amortised under the terms and conditions governed by law, the articles of association making no specific provision in this respect.

As at the date of this prospectus, Maurel & Prom has offered no pledge over the Company's shares it holds in full.

#### **21.1.2 Shares not representing capital**

Not applicable.

#### **21.1.3 Shares held by the Company or on its behalf**

As at the date of this prospectus, the Company does not hold any treasury shares.

The Company's general meeting held on 7 October 2011 approved, subject to the non-retroactive condition precedent that the Company's shares be admitted to trading on the regulated market of NYSE Euronext in Paris and their initial trading, a resolution authorising the board of directors to carry out, and to delegate the authority to carry out, on one or more occasions and at the times that it determines, the purchase, disposal or transfer of shares in the Company within the limit of 10% of the Company's share capital existing at the date of said meeting or 5% if the shares are acquired in order to be kept and delivered for subsequent use as payment or exchange in the context of external growth transactions.

The framework for this authorisation is the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code, the European regulation n°2273/2003 dated 22 December 2003 and the General Regulations of the AMF together with any other laws and regulations which would become applicable.

##### *21.1.3.1 Objectives of the share buy-back programme*

Share buy-backs may be made with a view to:

- honouring obligations under stock option plans, grant of free shares, or other share allocations or sales to employees and/or corporate officers of the Company or its affiliates, particularly as part of company profit-sharing or any stock option or free share plan;
- honouring obligations relating to securities conferring access to Company shares either immediately or as futures (including any hedging due to the Company's obligations in connection with such securities);

- ensuring the liquidity of Company shares through an investment services provider under a liquidity agreement, in accordance with the code of conduct of the AMAFI (*association française des marchés financiers*) which is recognised by the AMF;
- holding shares for subsequent use as exchange or payment in a potential external growth transaction; and
- cancelling all or some of the redeemed shares as part of a capital reduction decided upon or authorised at the general meeting pursuant to the twenty-third resolution of the shareholders meeting dated 7 October 2011 or any subsequent general meeting.

This programme would also allow the Company to make buy-backs for any other objective authorized or which would become authorized by the laws and regulations in force. In such a case, the Company would disclose it to its shareholders through a press release.

#### *21.1.3.2 Principal characteristics and procedures of the programme*

The maximum number of shares that may be redeemed by the Company may not exceed 10% of the Company's share capital existing as of the date of the general meeting of 7 October 2011 or 5% if the shares are acquired on order to be kept and delivered for subsequent use as payment or exchange in the context of external growth transactions.

The maximum purchase price shall not exceed EUR 10 per share, and the maximum amount of the funds that the Company may devote to the buy-back programme of its shares may not exceed EUR 120 million.

The acquisition, sale or transfer of these shares may be made, including during a takeover offer launched for the Company's shares in accordance with applicable laws and regulations, by any means, such as on regulated markets, multilateral trading platforms or over-the-counter systems, including when purchased or sold in blocks, or through derivative financial instruments or securities conferring access to the Company's share capital, in compliance with the laws and regulations in force at the time of the relevant transactions and on the periods which the Company's board of directors will appreciate.

The authorisation granted by the Company's general meeting will come into force as at the date of admission of the Company's shares to trading on the regulated market of NYSE Euronext in Paris and their initial trading, and will lapse at the expiry of a period of 18 months from the date of the general meeting of 7 October 2011.

#### 21.1.4 Other securities giving access to capital

As at the date of this prospectus, there are no securities in existence that give access to the Company's share capital.

#### 21.1.5 Authorised unissued share capital

The authorisations and delegations granted by the general meeting of 7 October 2011 to issue shares and other securities or to reduce the share capital, which cancel and replace, in respect of the balance not used, the authorisations and delegations granted by the general meeting of 15 November 2010, are summarized in the chart below. These authorisations and delegations were approved, subject to the non-retroactive condition precedent that the Company's shares be admitted to trading on the regulated market of NYSE Euronext in Paris and their initial day of trading, and will come into effect when events occur.

Authorisation/delegation	Period of validity	Authorised maximum
Delegation of authority to the board of directors to issue shares of the Company or securities giving access to the share capital of the Company or one of its subsidiaries, with upholding of the shareholders' preferential subscription rights <sup>1</sup>	26 months	Maximum nominal amount for the share capital increases of EUR 15 million, to be taken into account for the application of the global maximum amount for the share capital increases of EUR 15 million Maximum nominal amount for the issues of debt securities of EUR 300 million, to be taken into account for the application of the global maximum amount for the issues of debt securities of EUR 300 million
Delegation of authority to the board of directors to issue shares of the Company or securities giving access to the share capital of the Company or one of its subsidiaries, with removal of the shareholders' preferential subscription rights in the context of public offerings <sup>1</sup>	26 months	Maximum nominal amount for the share capital increases of EUR 7.5 million <sup>2</sup> Maximum nominal amount for the issues of debt securities of EUR 150 million <sup>3</sup>
Delegation of authority to the board of directors to issue shares of the Company or securities giving access to the share capital of the Company or one of its subsidiaries, with removal of shareholders' preferential subscription rights through private placement as described in Article L. 411-2 Section II of the French Monetary and Financial Code <sup>1</sup>	26 months	Maximum nominal amount for the share capital increases of EUR 7.5 million <sup>2</sup> Maximum nominal value for the issues of debt securities of EUR 150 million <sup>3</sup>
Authorisation granted to the board of directors to set the price of issue of the Company's shares or securities giving access to the Company's share capital, <b>within the limit of 10% of the Company's share capital per 12-month period</b> , with a maximum discount of 10% with respect to the last trading session preceding the setting of such price, in case of issue with removal of shareholders' preferential subscription rights <sup>1</sup>	26 months	10% of the Company's share capital per 12-month period; to be taken into account for the application of the maximum nominal amount provided for in the resolution pursuant to which the issue is decided on the basis of the two preceding resolutions
Authorisation granted to the board of directors to increase the number of securities to be issued in the case of share capital increases decided in application of the four preceding resolutions <sup>1</sup> (i.e. with maintenance or removal of shareholders' preferential rights) <b>within the limit of 15% of the initial issue</b> <sup>1</sup>	26 months	15% of the initial issue; to be taken into account for the application of the maximum nominal amount provided for in the resolution pursuant to which the issue is decided, it being specified that such issue can be decided on the basis of the four preceding resolutions
Delegation of authority to the board of directors to issue shares of the Company or securities giving access to the Company's share capital in the case of a public exchange offer initiated by the Company <sup>1</sup>	26 months	Maximum nominal amount for the share capital increases of EUR 7.5 million <sup>2</sup> Maximum nominal amount for the issues of debt securities of EUR 150 million <sup>3</sup>

Authorisation/delegation	Period of validity	Authorised maximum
Authorisation granted to the board of directors to issue shares or securities giving access to the Company's share capital with a view to compensating contributions in kind granted to the Company in the form of shares or securities giving access to capital <sup>1</sup>	26 months	10% of the Company's share capital (to be taken into account for the application of the maximum nominal amount for the share capital increases of EUR 7.5 million <sup>2</sup> and for the nominal value for the issues of debt securities of EUR 150 million <sup>3</sup> )
Delegation of authority to the board of directors to increase the Company's share capital by incorporating reserves, profits, premiums or other sums eligible for capitalisation <sup>1</sup>	26 months	Global amount of the sums which can be incorporated to the share capital in accordance with the laws and regulations in force (ceiling which is independent from the ceilings provided for in the other delegations)
Delegation of authority to the board of directors to increase the share capital by issuing negotiable securities giving right to debt securities <sup>1</sup>	26 months	Maximum nominal value of the debt securities: EUR 300 million (ceiling which is independent from the ceilings provided for in the other delegations)
Authorisation granted to the board of directors to grant free shares of the Company to employees and/or corporate officers of the Company or its subsidiaries <sup>1</sup>	38 months	1% of the share capital on the date of the decision by the board of directors to grant free shares; Sub-ceiling equal to 0.5% of the share capital on the date of the decision by the board of directors to grant free shares regarding the chairman of the board of directors, the CEO and, as the case may be, the deputy CEOs, such shares being subject to performance conditions
Delegation of authority to the board of directors to proceed to share capital increases reserved for employees belonging to a company savings plan of the Company <sup>1</sup>	26 months	EUR 1 million
Authorisation granted to the board of directors to reduce the share capital of the Company by cancelling shares of the Company <sup>1</sup>	18 months	10% of the Company's share capital per 24-month period

<sup>1</sup> Also applicable to the overall maximum of EUR 15 million for share capital increases.

<sup>2</sup> Maximum nominal amount of EUR 7.5 million for share capital increases common to all of these resolutions, also applicable to the overall maximum of EUR 15 million for share capital increases.

<sup>3</sup> Maximum nominal amount of EUR 150 million for the issues of debt securities common to all of these resolutions, also applicable to the overall maximum of EUR 300 million for the issues of debt securities.

Transactions expected to occur on the Company's share capital prior to the Distribution are not set out in the chart above and are described in section 26.1.7 of this prospectus.

#### 21.1.6 Options or agreements concerning the Company's share capital

Not applicable.

### 21.1.7 Share capital history over the last three fiscal years

The table below shows the change in the Company's share capital since its creation:

Date	Nature of transaction	Capital before transaction	Issue premium	Shares created	Nominal value	Total number of shares outstanding	Post-transaction capital, in EUR
13 October 2009	Constitution	N/A	N/A	37,000	1	37,000	37,000
15 November 2010	Capital increase by capitalisation of debt fully subscribed by Maurel & Prom	37,000	N/A	N/A	1.10	37,000	40,700
15 November 2010	Capital increase by capitalisation of debt fully subscribed by Maurel & Prom	40,700	N/A	121,266,213	1.10	121,303,213	133,433,534.30

Transactions expected to occur on the Company's share capital prior to the Distribution are not set out in the chart above and are described in section 26.1.7 of this prospectus.

### 21.2 **Charter and articles of association**

All references to articles of association that appear in this section should be understood as references to the articles of association adopted at the general meeting of 7 October 2011, subject to the non-retroactive condition precedent of admission of the Company's shares on the regulated market of NYSE Euronext in Paris and their initial trading. As a consequence, the following provisions of the articles of association will come into force upon completion of such events.

#### 21.2.1 Corporate form - Corporate object – Registered office - Term

##### (a) Corporate form

The Company is a limited liability company (*société anonyme*) governed by the laws and regulations in force concerning limited liability companies and by the Company's articles of association.

##### (b) Corporate object

The Company has the following object, both in France and abroad:

- the holding and management of all shares and membership rights and, to this end, the acquisition of interests in any company, group or association, particularly by way of purchase, subscription and contribution, as well as the sale in any form of said shares or membership rights;

- the prospecting and exploitation of all mineral deposits, particularly liquid or gaseous hydrocarbon deposits and related products;
- the leasing, acquisition, transfer and sale of all wells, land, deposits, concessions, operating permits and prospecting permits, either on its own account or on the account of third parties, whether by participation or otherwise, and the transport, storage, processing, transformation and trading of all natural or synthetic hydrocarbons, all liquid or gaseous products or by-products of the subsoil, and all minerals or metals;
- the acquisition of any buildings and their management or sale;
- trading in all products and commodities;
- the issue of any warranty, first demand guarantee, guarantee or other securities, notably for the benefit of any entity, enterprise or company in which it holds an interest, within the framework of its activities, and financing and refinancing of its activities; and
- in general, the Company's direct or indirect participation in all commercial, industrial, real estate, agricultural and financial transactions, in France or other countries, either through the formation of new companies or by the contribution, subscription or purchase of shares or membership rights, mergers, joint ventures or otherwise, and generally all transactions of any kind whatsoever directly or indirectly related to these activities and likely to facilitate their development or management.

(c) Registered office

The registered office is established at 12 rue Volney, 75002 Paris.

It may be transferred under the conditions laid down in Article L. 225-36 of the French Commercial Code.

(d) Term

Except in the cases of winding-up in advance or extension provided for by the Company's articles of association, the Company's term is set at ninety-nine years from 13 October 2009, i.e. until 12 October 2108.

21.2.2 Provisions relating to the board of directors and executive management

21.2.2.1 *Board of directors*

(a) Internal rules

The board of directors has a set of internal rules, which will come into force as from the admission to trading and initial trading of the Company's shares on the regulated market of NYSE Euronext in Paris, specifying the operating procedures of the Company's board of directors.

(b) Composition

The Company is administered by a board of directors comprising at least three (3) and no more than twelve (12) members, appointed at the general meeting, without prejudice to the exception provided for by law in cases of merger.

A legal person may be appointed as a director, but that person must, in accordance with the provisions prescribed by law, appoint a natural person who will be its permanent representative on the board of directors.

(c) Term of office – Age limit

The term of office for directors is three (3) years. A director's office shall expire at the end of the ordinary general meeting called to approve the financial statements for the past fiscal year and held in the year during which that director's mandate expires.

The number of board members over the age of seventy (70) may not exceed one third of the members in office. When this number is exceeded, the eldest member shall be deemed to have resigned.

Directors may be re-elected indefinitely, subject to application of the above provisions relating to the age limit. Their mandates may be revoked at any time at a general meeting.

In the event of a vacancy due to the death or resignation of one or more directors, the board of directors may make temporary appointments subject to ratification by the next ordinary general meeting, within the limits and according to the conditions established by law. In the event of non-ratification, any previous resolutions adopted and actions taken shall no longer be valid.

In the event of a vacancy due to the death, resignation or dismissal of a director, the director appointed in the conditions set out above, by the board of directors to replace the outgoing director shall remain in office, subject to the ratification by the general meeting, only for the remainder of his/her predecessor's term of office.

If the number of directors falls below three (3), the remaining members (or the statutory auditors, or a proxy designated, at the request of any interested party, by the President of the Commercial Court) must immediately convene an ordinary general meeting with a view to appointing one or more new directors in order to bring the number of board members up to the legal minimum.

(d) Powers of the board of directors

The board of directors determines the strategies for the Company's business and ensures their implementation. With due respect to the powers expressly given to the shareholders and within the limits of the corporate objective, it addresses all questions related to the Company's proper functioning and governs, by its decisions, the affairs that concern it.

In its relations with third parties, the Company is committed even by acts of the board of directors that are beyond the scope of the corporate object (unless the Company can prove that the third party knew that the act was beyond the scope of said purpose or the third party could not ignore that fact given the circumstances), the publication of the articles of association on its own not being sufficient proof.

The board of directors carries out the controls and audits that it deems necessary.

Each director receives all the information necessary for the performance of his/her duties, and may obtain all necessary documents from the chairman or CEO.

The board of directors may grant to one or more of its members or to third parties, who may or may not be shareholders, any special mandates for one or more specific purposes.

It may also decide to establish specialist committees operating within its own ambit. These committees, whose composition and powers are determined by the board, perform their activities under the latter's responsibility.

(e) Convocation and deliberation

The board of directors meets as often as required by the interest of the Company, when convened by its chairman or its CEO and as often as he/she sees fit, at the place specified in the notice of meeting.

When the board of directors has not met for more than two months, at least one third of the board's members are required to ask the chairman to convene a board meeting to consider a specific agenda. The chairman is then bound to act on such requests.

Meetings may be convened by any means.

The deliberations of the board of directors are only valid when at least one half of its members are present.

Decisions are made on the basis of a majority vote of the members present or represented. In the case of a tied vote, the presiding chairman has a casting vote.

Subject to legal and regulatory provisions, meetings of the board of directors may be conducted via videoconferencing or other telecommunications methods under the conditions provided for in the internal rules adopted by the board of directors.

The deliberations of the board of directors are recorded in minutes compiled in conformity with the law.

Copies or excerpts of these minutes are issued and certified in conformity with the law.

(f) Executive committee of the board of directors

The board of directors appoints one of its members as chairman, who should be a physical person, and, if the board deems it necessary, one or more deputy chairmen. It sets their term of office, which may not exceed their term of office as board members. The board can, moreover, terminate such positions at any time.

The age limit for exercising the position of chairman of the board of directors is set at seventy (70). When this age limit is reached during the term of office, the chairman of the board of directors shall be deemed to have officially resigned.

In the event of the temporary incapacity or death of the chairman, the deputy chairman of the board of directors who is most senior in age is delegated to act as chairman. In the case of temporary incapacity, this delegation is given for a limited term and is renewable. In the case of death, it is valid until a new chairman is elected.

The board of directors also appoints and fixes the term of office of a secretary, who may be chosen either from among the directors or from outside their number. In the absence of the chairman and deputy chairmen, the board of directors shall appoint a director present to preside over the meeting.

If, as the result of simple omission, the board has not expressly renewed the offices of those members of the executive committee whose mandates as directors have not expired, such renewal is considered to have taken place automatically, and it falls to a subsequent board meeting to formalise this renewal as necessary.

(g) Compensation of directors

Members of the board of directors may receive compensation in respect of attendance fees, the total amount of which, determined at the general meeting, is distributed by the board of directors at its discretion.

In particular, the board of directors may allocate a greater share to those directors who are members of the specialised committees created by the board of directors.

(h) Chairman of the board of directors

The chairman of the board of directors organises and directs the work of the board of directors, and reports on this work to the General Meeting of shareholders.

The chairman oversees the proper functioning of the Company's bodies and ensures, in particular, that directors are capable of fulfilling their duties.

The board of directors determines the amount, manner of calculation and payment of the chairman's compensation, if necessary. The chairman may be removed from office at any time by the Company's board of directors.

(i) Observers

The board of directors may appoint one or several observer(s) to the Company, which must be natural persons, in a number not to exceed four.

The term of office of each observer is set at three (3) years.

Observers are called upon to observe the meetings of the board of directors, and may be consulted by the latter; they may also present comments at general meetings of the shareholders on proposals submitted to them, if they deem it appropriate. They are invited to each meeting of the board of directors, which may assign specific tasks to them. Subject to the provisions of Article L. 823-19 of the French Commercial Code, they may take part in committees created by the board of directors. The observers will receive the same documents and information as those sent to the board members and will be bound by the same loyalty and confidentiality duty.

The board of directors may decide to pay observers proportional attendance fees allotted to it at the general meeting, and may authorise the reimbursement of expenses that observers incur in the interest of the Company.

*21.2.2.2 Executive management*

In conformity with the legal and regulatory provisions, the Company's executive management is assumed either by the chairman of the board of directors or by another natural person appointed by the board of directors and holding the title of CEO, under his/her responsibility.

The choice between these two approaches to conducting executive management is made by the board of directors, which must inform shareholders and third parties accordingly under the conditions provided for by law.

The decision of the board of directors regarding the choice of the manner of conducting executive management is taken on the basis of a majority vote by the directors present or represented.

A change in the manner of conducting executive management does not entail any change to the articles of association.

(a) CEO

Depending on the choice made by the board of directors, executive management is provided either by the chairman or by a natural person appointed by the board of directors and holding the title of CEO.

If the board of directors chooses to separate the functions of chairman and CEO, it appoints the CEO, fixes the term of his/her office, determines his/her compensation and, where applicable, establishes the limits on his/her powers.

The age limit for exercising the position of CEO is set at seventy (70). When this age limit is reached during the term of office, the CEO shall be deemed to have officially resigned.

The CEO may be removed from office at any time by the board of directors.

The CEO has the broadest powers to act in all circumstances in the name of the Company, and exercises his/her powers in pursuit of the Company's corporate purpose, with due respect for those powers that the law expressly allocates to the shareholders and the board of directors.

The CEO represents the Company in its relations with third parties. The Company is committed even by acts of the board of directors that are not within the scope of the corporate purpose (unless the Company can prove that the third party knew that the act was beyond the scope of said purpose or the third party could not ignore that fact given the circumstances), the publication of the articles of association on its own not being sufficient proof.

(b) Deputy CEOs

At the proposal of the CEO, the board of directors may appoint one or more natural persons as deputy CEOs, with the responsibility of assisting the CEO.

The maximum number of deputy CEOs is set at two.

By agreement with the CEO, the board of directors determines the scope and extent of the powers granted to deputy CEOs.

With regard to third parties, deputy CEOs have the same powers as the CEO.

The age limit for exercising the position of deputy CEO is set at seventy (70). When this age limit is reached during the term of office, the deputy CEO shall be deemed to have officially resigned.

At the proposal of the CEO, deputy CEOs may be removed from office at any time by the board of directors.

The board of directors determines the compensation of deputy CEOs.

In the event of the cessation of office or incapacity of the CEO, the deputy CEOs retain, unless decided otherwise by the board of directors, their functions and powers until such time as a new CEO has been appointed.

21.2.3 Share capital and shares

21.2.3.1 *Modification of the share capital*

The share capital may be reduced or increased by an extraordinary general meeting under the conditions laid down by laws and regulations, though the powers necessary for deciding on or performing a capital increase or any other issue of securities may be delegated by an extraordinary

general meeting to the board of directors according to any procedures authorised by laws and regulations.

#### *21.2.3.2 Payment of the shares*

In the event of a capital increase, upon subscription and as decided by the extraordinary general meeting or the board of directors empowered by the extraordinary general meeting, the full value of the shares must be paid in full or a fraction of not less than a quarter of the price of each share subscribed to in cash must be paid. In any event, such shares must be paid up in full within a timescale of five years by decision of the board of directors, which will determine the amounts called up and the time and place when and where the payments must be made. Payments for subscribed shares are made at the registered office or any other place indicated for this purpose.

The board of directors also determines the conditions in which shareholders may be authorised to pay up their shares in advance.

Shareholders are informed of calls for funds with notice of fifteen days before the date set for payment via a notice published in a legal gazette published in the area of the registered office or by registered letter with acknowledgment of receipt.

In the event of any late payment, interest at 6% will be automatically payable to the Company from the due date, without the need for any application to the courts and without prejudice to the personal action that the Company may take against the defaulting shareholder and the enforcement measures provided for by law.

#### *21.2.3.3 Form of the shares*

Fully paid-up shares are registered or bearer, as the shareholder chooses.

Shares are recorded in individual accounts under the conditions and according to the procedures laid down by applicable laws and regulations.

The Company is entitled to ask the central depository keeping its securities' issue account, at any time, under the conditions and according to the procedures laid down by laws and regulations, to disclose the identity of holders of securities conferring, immediately or in the future, the right to vote at shareholders' general meetings, the quantity of securities held by each one and any restrictions that may apply to these securities.

#### *21.2.3.4 Obligation to notify threshold crossings*

In addition to the thresholds provided for by the applicable legal and regulatory provisions, any natural or legal person, acting alone or in concert, that comes to directly or indirectly hold a number of shares representing a percentage of the capital or voting rights equal to or greater than 2%, or a multiple of 2%, as long as it does not hold, alone or in concert, a total number of shares representing more than 50% of the Company's capital and voting rights, must inform the Company of the total number of shares and securities conferring entitlement to the Company's capital that it holds, by registered letter with acknowledgement of receipt sent to the registered office within a period of four trading days from the date on which said ownership thresholds are crossed.

At the request, recorded in the minutes of the general meeting, of one or more shareholders holding at least 2% of the Company's capital or voting rights, any failure to comply with this obligation shall be penalised, with respect to the shares exceeding the percentage that should have been declared, by withdrawal of the right to vote at any general meeting that may be held until the end of a two-year period after the date on which the notification was formally recorded.

The same duty of information applies, with the same timescale and in the same manner, each time the fraction of capital or voting rights held by a shareholder falls below one of the thresholds mentioned above.

For the calculation of the thresholds mentioned above, account is taken of the shares and voting rights held, as well as – even if the person concerned does not personally hold shares or voting rights in another manner – comparable shares or voting rights in application of Article L. 233-9 of the French Commercial Code, in relation to the total number of shares comprising the Company's capital and the total number of voting rights attached to those shares. The total number of voting rights is calculated on the basis of all shares to which voting rights are attached, including shares not eligible for voting rights.

#### *21.2.3.5 Rights and obligations attached to the shares*

Each share confers a right to an equal share in the Company's profits and capital.

Shareholders are not committed beyond the nominal value of the shares that they possess.

Ownership of a share automatically entails adhesion to the Company's articles of association and the decisions of the shareholders taken at general meetings.

The heirs, creditors, assignees or other representatives of a shareholder may not demand the affixing of seals on the Company's assets and valuables, nor request their distribution or sale at auction, nor interfere in any way in its management. In order to exercise their rights, they must refer to the corporate inventories and to the decisions of the shareholders taken at general meetings.

Each time it is necessary to own several shares in order to exercise any right, in the event of any exchange, consolidation or allotment of shares or as a consequence of a capital increase or reduction, a merger or another transaction, the owners of isolated shares or those owning a smaller number than the required number may not exercise this right unless they personally decide to consolidate such shares or buy or sell the necessary shares or allotment rights, as the case may be.

The shares are indivisible with respect to the Company, which recognises only one owner for each share. The joint owners of indivisible shares must be represented at general meetings by one person only. The voting right attached to the share belongs to the usufructuary at ordinary general meetings and to the bare owner at extraordinary general meetings.

Double voting rights are conferred on fully paid-up shares proved to have been registered in the name of the same shareholder in the company's registers for an unbroken period of at least four years counting from the date when they were fully paid up.

In the event of a capital increase by incorporation of reserves, profits or issue premiums, double voting rights are conferred on registered shares, upon the issue thereof, allotted free of charge to a shareholder for existing shares for which the shareholder benefits from this right.

Double voting rights automatically lapse for any share converted to bearer status or transferred, though they may resume if the new shareholder proves registration in the same name for an continuing period of at least four years.

The abovementioned four-year period will not be interrupted or existing rights will be retained in the event of any transfer of registered shares as a result of intestate succession, succession by will, or division of community property or a partnership of acquests between spouses. The same will apply in the event of a donation *inter vivos* to a shareholder's spouse or to a relative with title to a share in the shareholder's intestate estate.

#### *21.2.3.6 Transfer of the shares*

The transfer of the shares is free and is completed by way of a transfer between accounts under the conditions laid down by laws and regulations.

#### *21.2.4 Shareholders' meetings*

##### *21.2.4.1 Provisions common to all shareholders' meetings*

A duly convened shareholders' meeting represents all shareholders. Its decisions are binding on all shareholders, even those who are absent, in dissent or unable to attend.

Every shareholder, regardless of the number of shares that he/she owns, has the right to participate in shareholders' meetings, be it personally, or by appointing a proxy, or by voting remotely, in accordance with current laws and regulations.

Any shareholder may also send a power of attorney to the Company without indicating the name of their representative. All such powers of attorney without indication of the name of the proxy shall be considered as a vote in favour of the resolutions submitted or approved by the board of directors for the meeting.

Proof of the right to participate in the Company's shareholders' meetings, in whatever form, may be demonstrated via accounting records or share registration under the conditions and within the timescales provided for by current regulations.

Remote or proxy voting forms, as well as certificates of participation, may be established, if the board of directors so provides, in electronic form, duly signed under the conditions provided for by the applicable laws and regulations.

For this purpose, the form may be directly entered and signed electronically on the Internet site established by the meeting's clearing agency. Electronic signature of the form may be provided (i) by entering, under conditions that comply with the provisions of the first sentence of the second paragraph of Article 1316-4 of the French Civil Code, an identifying code and a password, or (ii) by using any other process that meets the conditions defined in the first sentence of the second paragraph of Article 1316-4 of the French Civil Code. The proxy or vote thus expressed before the meeting via this electronic method, as well as the acknowledgement of receipt given, if any, shall be considered a written, irrevocable instrument enforceable against all parties, except in cases of sales of securities, which are subject to the notification provided for in Article R. 225-85 IV of the French Commercial Code.

The procedures for sending remote and proxy voting forms shall be specified by the board of directors in the advance notice and notice of meeting.

The board of directors may organise, under legal and regulatory conditions, the participation and voting of shareholders at the meeting via videoconferencing or any other telecommunications methods that allow identification and meet legal and regulatory requirements. The board shall ensure the effectiveness of the means of identification.

For calculation of the quorum and majority required for any shareholders' meeting, shareholders who attend the shareholders' meeting via videoconferencing or other telecommunications methods that allow identification in accordance with legal and regulatory conditions shall be deemed present.

(a) Convening of shareholders' meetings

Shareholders' meetings are convened, under the conditions provided for by law, by the board of directors, or by the auditors or any other legally authorised person by default.

Meetings are held at the registered office or at any other place specified in the prior notice of meeting.

(b) Agenda of shareholders' meetings

The agenda is set by the body that convenes the meeting.

However, any shareholder, or the works council if such exists, has the right, subject to current laws and regulations, to require items or draft resolutions to be added to the agenda.

The shareholders may not deliberate on any matter not included in the agenda. However, it may under any circumstances remove one or more members of the board of directors from office and replace them.

(c) Chairmanship of shareholders' meetings

The shareholders' meeting is chaired by the chairman of the board of directors or, in his/her absence, by a member of the board of directors delegated by the latter. Otherwise, the shareholders elect their own chairman for the meeting.

Meetings convened by the statutory auditors are chaired by the auditor who is most senior in age.

The meeting chairman is assisted by two deputy returning officers who constitute, with the chairman, the executive committee. The role of deputy returning officer is performed by two willing shareholders present at the start of the meeting who represent, both in their own right and by virtue of the powers conferred on them, the greatest number of shares. The executive committee appoints a secretary, who may be taken from outside the members of the meeting.

(d) Attendance sheet

At each meeting, an attendance sheet is drawn up containing the last names, usual first names and domiciles of the shareholders present, represented or voting remotely and of any of their proxies, as well as the number of shares possessed by each of them. This sheet, compiled under the conditions provided for by Article R. 225-95 of the French Commercial Code and to which the powers of attorney of the represented shareholders are annexed, is initialled by the shareholders present or their proxies and certified as true by the executive committee of the meeting. It is filed at the registered office and must be communicated to any requesting person under the conditions laid down by laws and regulations in force.

(e) Deliberations of shareholders' meetings

Subject to the double voting right provided for in the Company's articles of association, each shareholder has as many votes as the number of shares that he/she owns or represents.

The deliberations are recorded in minutes, which are entered in a special register. These minutes are signed by the members of the executive committee. Copies or excerpts of minutes are signed by the chairman of the board of directors.

#### *21.2.4.2 Ordinary shareholders' meetings*

The ordinary shareholders' meeting takes all decisions other than those envisaged in Articles L. 225-96 and L. 225-97 of the French Commercial Code concerning the competence of extraordinary shareholders' meetings.

The ordinary shareholders' meeting is convened each year by the board of directors, within six months following the end of the fiscal year.

Ordinary shareholders' meetings may also be convened extraordinarily.

The deliberations of the ordinary shareholders' meeting are valid at the first convening only if the shareholders present, represented or voting remotely possess at least one fifth of the shares with voting rights.

If these conditions are not satisfied, the meeting is reconvened. At this second meeting, the deliberations are valid irrespective of the number of shares present or represented.

Resolutions of the ordinary shareholders' meeting are passed by a majority of votes held by the shareholders present, represented or voting remotely.

#### *21.2.4.3 Extraordinary shareholders' meetings*

In conformity with Articles L. 225-96 and L. 225-97 of the French Commercial Code, shareholders' meetings are said to be extraordinary when their purpose is to amend the Company's articles of association or its nationality.

Extraordinary shareholders' meetings are held whenever the interests of the Company so require.

The deliberations of the extraordinary shareholders' meeting are valid only if the shareholders present, represented or voting remotely possess, at the first convening, at least one quarter of the shares with voting rights.

If these conditions are not satisfied, the meeting is reconvened. At this second meeting, the deliberations are valid only if the shareholders present, represented or voting remotely possess, at the second convening, at least one fifth of the shares with voting rights. If this quorum is not satisfied, the second meeting may be postponed until a date not later than two months after the date on which it was originally convened.

Resolutions of the extraordinary shareholders' meeting are passed by a two-thirds majority of the shareholders present, represented or voting remotely. However, in the event of a capital increase through incorporation of reserves, profits or share premiums, the resolutions of the meeting are passed on the basis of the quorum and majority required for ordinary shareholders' meetings.

### 21.2.5 Financial year – Dividend

#### *21.2.5.1 Duration of the financial year*

The Company's financial year lasts for one calendar year, starting on 1 January and ending on 31 December.

#### *21.2.5.2 Payment of dividends*

The procedures for releasing payment of dividends approved by a shareholders' meeting are defined by this meeting or, if not, by the board in accordance with the requirements of Articles L. 232-12 to L. 232-17 of the French Commercial Code.

The shareholders' meeting may give the shareholders the option to receive all or any of the distributed dividend in cash or in new company shares under the conditions laid down by law. The same option may be offered in the case of interim dividends being paid.

All or part of the dividends, interim dividends, reserves, premiums or any other amount distributed to the shareholders may be paid in cash or in kind by delivery of assets of the Company, including securities held by the Company. Distribution in kind to the shareholders may be completed with or without any option for a payment in cash.

21.2.6 Provisions of the articles of association or other provisions that might have the effect of delaying, deferring or preventing a change of control

The articles of association do not contain any provisions that might delay, defer or prevent a change of control of the Company.

## **22. MATERIAL CONTRACTS**

In the Company's view, all the material contracts the Company has entered into since its registration on 13 October 2009 and, to the best of the Company's knowledge, all the material contracts Seplat has entered into since it was registered on 17 June 2009 are described in this prospectus. These contracts are listed below.

### **22.1 Contracts entered into by the Company**

- Transitional services agreement entered into between Maurel & Prom and the Company on 2 November 2011 (see section 19.1.1 of this prospectus);
- Deed of adherence by the Company to the shareholders' agreement between Seplat, Maurel & Prom, Shebah Petroleum Development Company Limited and Platform Petroleum Joint Ventures Limited dated 22 December 2009 of 3 June 2010 (see section 6.3.5.2 of this prospectus);
- Amendment agreement to the shareholders' agreement between Seplat, Maurel & Prom, Shebah Petroleum Development Company Limited and Platform Petroleum Joint Ventures Limited dated 22 December 2009, entered into between Seplat, the Company, Maurel & Prom, Shebah Petroleum Development Company Limited and Platform Petroleum Joint Ventures Limited on 26 September 2011 (see section 6.3.5.2 of this prospectus);
- Waiver to the shareholders' agreement between Seplat, the Company, Maurel & Prom, Shebah Petroleum Development Company Limited and Platform Petroleum Joint Ventures Limited dated 22 December 2009, as amended, requested by Maurel & Prom and the Company of Platform Joint Ventures Limited on 26 September 2011 and obtained on 26 September 2011 (see section 6.3.5.2 of this prospectus);
- Waiver to the shareholders' agreement between Seplat, the Company, Maurel & Prom, Shebah Petroleum Development Company Limited and Platform Petroleum Joint Ventures Limited dated 22 December 2009, as amended, requested by Maurel & Prom and the Company to Shebah Petroleum Development Company Limited on 26 September 2011 and obtained on 26 September 2011 (see section 6.3.5.2 of this prospectus); and
- Charge over Seplat's shares concluded by the Company, Shebah, Platform and African Export-Import Bank in August 2010 (see section 6.3.5.4(a) of this prospectus).

### **22.2 Contracts entered into by Seplat**

- Shareholders' agreement entered into between Seplat, Maurel & Prom, Shebah Petroleum Development Company Limited and Platform Petroleum Joint Ventures Limited on 22 December 2009 relating to Seplat (see section 6.3.5.2 of this prospectus);
- Amendment agreement to the shareholders' agreement between Seplat, Maurel & Prom, Shebah Petroleum Development Company Limited and Platform Petroleum Joint Ventures Limited dated 22 December 2009, entered into between Seplat, the Company, Maurel & Prom, Shebah Petroleum Development Company Limited and Platform Petroleum Joint Ventures Limited on 26 September 2011 (see section 6.3.5.2 of this prospectus);
- Agreement for assignment of OMLs 4, 38 and 41 entered into between Seplat, Shell Petroleum Development Company of Nigeria Limited, Total (E&P) Nigeria Limited and Nigerian Agip Oil Company on 29 January 2010 (see section 6.3.5.1 of this prospectus);
- Joint operating agreement with the Nigerian National Petroleum Corporation, which was replaced on 3 September 2010 by its subsidiary the Nigerian Petroleum Development

Company, and to which Seplat became a party under the deed of novation dated 30 July 2010 (see section 6.3.5.3 of this prospectus);

- Crude handling agreement (for the transportation, refining and delivery of oil) entered into between Seplat and Shell Petroleum Development Company of Nigeria Limited on 30 July 2010 (see section 6.3.5.5(a) of this prospectus);
- Crude oil purchase agreement entered into between Seplat and Shell Western Supplies and Trading on 2 February 2010 (see section 6.3.5.5(b) of this prospectus);
- Investment prospecting contract entered into between Seplat and Abbeycourt Petroleum Company Limited on 22 March 2010 (see section 19.2.3 of this prospectus);
- Memorandum of understanding relating to the Trinity Spirit FPSO unit entered into between Seplat, Shebah Exploration and Production Company Limited and Allenne British Virgin Islands Limited on 16 November 2010 (see section 19.2.2 of this prospectus);
- Bank loans granted by BNP Paribas on 25 June 2010 and by African Export-Import Bank and Skye Bank Plc on 29 March 2011 (as amended by the loan agreement of 22 July 2011 and the side letters of 22 July 2011 and 29 July 2011) for the financing or refinancing of OMLs 4, 38 and 41 (see section 6.3.5.4(a) of this prospectus );
- Framework agreement for local content services entered into by Seplat with Shebah Petroleum Development Company Limited and Platform Petroleum Limited on 10 November 2010 (see section 19.2.4 of this prospectus);
- General memorandum of understanding concluded by Seplat and the communities in OML 4 (Edo State) and OMLs 38 and 41 (Delta State) on 1 January 2011 (see section 6.3.5.7 of this prospectus); and
- Technical services agreement concluded by Seplat and Maurel & Prom on 31 July 2010 (see section 19.2.1 of this prospectus).

### **22.3 Contract entered into between the Company and Seplat**

- Shareholder loan agreement between the Company and Seplat dated 25 June 2010 (see section 6.3.5.4(b) of this prospectus); and
- Amendment agreement to the technical services agreement entered into between the Company and Seplat on 26 September 2011 (see section 19.2.1 of this prospectus).

## **23. INFORMATION FROM THIRD PARTIES, EXPERT STATEMENTS AND DECLARATIONS OF INTERESTS**

Some of the market information included in section 6 of this prospectus derives primarily from public third party sources, whose references are mentioned in such section. The Company hereby certifies that this information has been faithfully reproduced and that nothing has been omitted that might render the information inaccurate or misleading.

Gaffney, Cline & Associates, the evaluator of the hydrocarbon reserves and resources of Oil Mining Licenses 4, 38 and 41 in Nigeria, has expressly authorised the Company to (i) attach to the French prospectus a free translation in French of the Competent Person's Report on Oil Mining Licenses 4, 38 and 41 dated 1<sup>st</sup> November 2011 drafted in English and (ii) put on line on its website the original English version of the Competent Person's Report on Oil Mining Licenses 4, 38 and 41 dated 1<sup>st</sup> November 2011.

The Competent Person's Report issued by Gaffney, Cline & Associates on Oil Mining Licenses 4, 38 and 41 dated 1st November 2011 is attached as Annex C to this prospectus.

Finally, the firm Ledouble, which acted as independent expert to assist Maurel & Prom's board of directors in appraising the Company, has expressly authorised the Company to attach to this prospectus a summary of its work relating to the appraisal of the valuation of the Company's shares. The English version of the summary concerning the evaluation of the valuation of the Company's shares issued by the firm Ledouble on 4 November 2011 is a free translation of the original summary concerning the evaluation of the valuation of the Company's shares issued by the firm Ledouble on 4 November 2011 drafted in French. This free translation must be read in conjunction with the French version of the summary concerning the evaluation of the valuation of the Company's shares issued by the firm Ledouble on 4 November 2011 which is available in the French version of the prospectus. In case of inconsistency between the French version of the evaluation of the valuation of the Company's shares issued by the firm Ledouble on 4 November 2011 and its English translation included in this prospectus, the French version shall prevail.

## **24. PUBLICLY AVAILABLE DOCUMENTS**

The Company's press releases and historical financial information, the original Competent Person's Report of Gaffney, Cline & Associates on Oil Mining Licenses 4, 38 and 41 dated 1<sup>st</sup> November 2011 and this prospectus are available on the Company's website at the following address: [www.mpnigeria.com](http://www.mpnigeria.com). Copies may also be obtained at the Company's registered office at 12 rue Volney, 75002 Paris. The Company's articles of association, minutes of the shareholders' meetings, individual and consolidated financial statements, statutory auditors' reports and all other corporate documents may be consulted at the Company's registered office.

## **25. INFORMATION ON EQUITY INTERESTS**

Information on the undertakings in which the Company holds a percentage of the share capital that could have a significant effect on the appraisal of its assets, financial position or results is given in section 5.1.2.5 of this prospectus.

## 26. INFORMATION RELATING TO THE DISTRIBUTION

### 26.1 Arrangements for the Distribution

#### 26.1.1 Objective of the Distribution

The admission of the Company's shares to trading on the regulated market of NYSE Euronext in Paris is part of the plan for separating the exploration/production activities of Maurel & Prom in Nigeria from other such activities in countries where Maurel & Prom also operates, particularly Gabon, Congo, Colombia, Tanzania and Mozambique.

Further to discussions held by Maurel & Prom's executive management with its board of directors, it became clear that the value of the investment made by Seplat was not fully reflected in the Maurel & Prom Group share price. Accordingly, Maurel & Prom's board of directors decided to propose to its shareholders, during an ordinary shareholders' meeting to be held on 12 December 2011, to separate the exploration/production activities in Nigeria from the rest of the Maurel & Prom Group's activities so as to:

- better value each of the Maurel & Prom Group's major assets, particularly the Gabonese and Nigerian assets;
- enable significant growth in the Company's notoriety and greater recognition of Seplat's value;
- make the Company's business and results and those of Seplat more visible and transparent; and
- allow greater leeway for forging alliances or industrial partnerships in Nigeria.

#### 26.1.2 Overview of the Distribution

The admission of the Company's shares to trading on the regulated market of NYSE Euronext in Paris will coincide with the distribution of 100% of the Company's share capital by Maurel & Prom to its shareholders. A decision is to be taken thereupon by Maurel & Prom's shareholders at a shareholders' meeting to be held on 12 December 2011 (information about Maurel & Prom is available in its reference document, filed with the AMF on 20 April 2011 under number D.11-0341 and in the update to Maurel & Prom's 2010 reference document, which will be filed with the AMF before Maurel & Prom's general meeting of 12 December 2011, convened to approve the Distribution and which notably describes the impact of such distribution on Maurel & Prom from an accounting point of view, it being specified that Maurel & Prom's reference document and its update are not incorporated by reference in this prospectus). On completion of this transaction, Maurel & Prom will no longer hold any Company shares. Holders of securities that give access to Maurel & Prom equity and the beneficiaries of free Maurel & Prom shares will be protected under the conditions set forth in section 26.1.13 of this prospectus.

Accordingly, Maurel & Prom is planning to distribute one (1) Company share to its shareholders for each Maurel & Prom share eligible for the distribution (see section 26.1.12 of this prospectus) (the "**Distribution**"). A decision will be made on the Distribution at the Maurel & Prom ordinary shareholders' meeting to be held on 12 December 2011.

The firm Ledouble was appointed by the board of directors of Maurel & Prom on 29 July 2011 as independent expert to assist the board in appraising the Company in order to record the amount of the Distribution under the accounting item "Other Reserves". For this purpose, Ledouble has provided the board of directors of Maurel & Prom with a range of values for the Company (see section 26.1.17.1 of this prospectus).

The ex-dividend date for the Distribution and the settlement/delivery date for the Distribution will fall on the same day as the date of admission of the Company's shares to trading on the regulated market of NYSE Euronext in Paris (the "**Completion Date**").

As at the date of this prospectus, the Completion Date is expected to be 15 December 2011.

The Distribution will be preceded by the completion of the preliminary transactions described in section 26.1.7 (the "**Preliminary Transactions**").

### 26.1.3 Lock-up undertaking

Pacifico, Maurel & Prom's main shareholder (the "**Signatory**"), has undertaken and has procured that each of its subsidiaries will abide by the same undertaking to BNP Paribas, until the expiry of a period of 365 calendar days following the date of admission of the Company's shares to trading on the regulated market of NYSE Euronext in Paris, expected, for the time being, to be 15 December 2011, without prior agreement in writing of BNP Paribas, which may not be unreasonably withheld, not to:

- offer, assign, sell, issue or otherwise transfer (particularly by means of market transactions, private placements with investors or over-the-counter transactions), directly or indirectly (including by the use of any financial instrument or other option product), any Company share involved in the Distribution (the "**Equity Securities**") or make any issue of financial securities that give immediate or future access, either directly or indirectly, to any Equity Securities;
- publicly disclose its intention to carry out any such issue, offer, assignment, sale, option or transfer;
- carry out, directly or indirectly, any transaction having an equivalent economic effect; and
- undertake to carry out any of the transactions described in the above clauses;

However, the following actions are excluded from the scope of application of this undertaking:

- (i) the assignment, transfer or offering of Equity Securities to any French or foreign legal entity controlled by the Signatory or controlling the Signatory or controlled by a company controlling the Signatory (an "**Affiliate**") (it being specified that the term "control" is defined in Article L. 233-3 of the French Commercial Code), provided that any Affiliate receiving these Equity Securities undertakes (x) to comply with by the lock-up undertaking set out above for the remaining portion of the period of 365 calendar days following the date of admission of the Company's shares to trading on the regulated market of NYSE Euronext in Paris and (y) to immediately retransfer to the Signatory the transferred Equity Securities as soon as it ceases to be an Affiliate of the Signatory;
- (ii) the Equity Securities contributed as part of a tender offer, an exchange offer, an alternative offer (cash or shares) or a combined offer (cash and shares) for the Company's shares; and
- (iii) charges over the Equity Securities that may be granted by the Signatory.

#### 26.1.4 Organisational chart of the Company and its equity interest in Seplat

An organisational chart showing the relationship between the Company and Seplat in terms of both share capital and voting rights prior to the completion of the transactions described in this section is given in section 7.1 of this prospectus.

#### 26.1.5 Indicative timetable

AMF approval of the prospectus	4 November 2011
Publication in the <i>Bulletin des annonces légales obligatoires</i> (BALO) of prior notice for the Maurel & Prom ordinary general meeting	7 November 2011
Publication in the BALO of the notice of meeting relating to the Maurel & Prom ordinary shareholders' meeting	25 November 2011
Maurel & Prom ordinary shareholders' meeting to approve the Distribution	12 December 2011
Publication by NYSE Euronext of the notice of admission of the new shares	14 December 2011
Distribution and admission of the Company's shares to trading (Completion Date)	15 December 2011

After obtaining the AMF approval, the Company will also issue a press release describing the main features of the transaction and the arrangements for obtaining the prospectus, together with another press release after the approval of the Distribution by Maurel & Prom's shareholders general meeting.

#### 26.1.6 Conditions precedent

The Distribution remains subject, as at the date of this prospectus, to fulfilment of the following conditions precedent:

- the approval of Maurel & Prom's shareholders' meeting of shareholders to carry out the Distribution; and
- the publication of the final notice by NYSE Euronext for the admission of the Company's shares to trading on the regulated market of NYSE Euronext in Paris.

#### 26.1.7 Preliminary Transactions

The Preliminary Transactions to be carried out by the Company prior to the Distribution include but are not limited to the following:

- a reduction in the Company's share capital, authorised at the shareholders' meeting held on 7 October 2011, by way of a decrease in the number of the Company's shares. The 121,303,213 shares with a nominal value of EUR 1.10 composing currently the Company's share capital will be exchanged against 97,286,602 new shares of same nominal value, and the amount of the share capital reduction will be recorded in the "issue premium" accounting item. The Company's shareholders' meeting held on 7 October 2011 authorised this share capital reduction and vested full powers in the board of directors to decide whether or not the share capital reduction envisaged by this resolution should be carried out in view, in particular, of the possible objections from the Company's creditors granted rights under this resolution;

- a reduction in the Company's share capital, authorised at the shareholders' meeting held on 7 October 2011, subject to the condition precedent of the completion of the share capital reduction mentioned in the previous paragraph, by way of a decrease in the nominal value of the shares by EUR 1.00, thereby reducing it from EUR 1.10 to EUR 0.10, and the allocation of the amount of the share capital reduction to the "issue premium" accounting item. Consequently, the share capital of EUR 107,015,262.20, comprising 97,286,602 shares on completion of the transaction described in the previous clause, will be reduced by EUR 97,286,602 to EUR 9,728,660.20. The Company's shareholders' meeting held on 7 October 2011 authorised this share capital reduction and vested full powers in the board of directors to decide whether or not the share capital reduction envisaged by this resolution should be carried out, in view, in particular, of the possible objections from the Company's creditors granted rights under this resolution;
- an increase in the Company's share capital of EUR 105 million (nominal value and premium), which will be decided by the Company's board of directors pursuant to the delegation of authority conferred to it by the shareholders' meeting held on 7 October 2011. This share capital increase in cash, with upholding of the shareholders' preferential subscription rights, will be fully subscribed for and paid up in cash by Maurel & Prom and will be aimed at providing the Company with the necessary funds for its development;
- an increase in the Company's share capital, which will be decided by the Company's board of directors pursuant to the delegation of authority conferred to it by the shareholders' meeting held on 7 October 2011. This share capital increase will be carried out by incorporating the Company's reserves in order to make the adjustments required prior to the Distribution, particularly those relating to the exercise of the Maurel & Prom share subscription warrants in order to obtain an exchange parity of one (1) Company share for one (1) Maurel & Prom share.

#### 26.1.8 Recording of the Distribution by Maurel & Prom

The Distribution of the shares of Maurel & Prom Nigeria, which is to be carried out as an exceptional distribution of reserves and premiums will be allocated to the "Other Reserves" accounting item of Maurel & Prom's equity for a value of EUR 240 million as determined by the Company's board of directors at its meeting dated 2 November 2011, subject to the approval of the Maurel & Prom shareholders' meeting to be held on 12 December 2011 (see section 26.1.17.3 of this prospectus).

#### 26.1.9 Independent appraisal

An independent expert was appointed by the board of directors of Maurel & Prom at its meeting dated 29 July 2011 to assist the board in appraising the value of the Company in order to record the amount of the Distribution in "Other Reserves".

Name and address: Ledouble, 15 rue d'Astorg, 75008 Paris.

As part of its work, Ledouble has provided the Maurel & Prom board of directors with a range of values for the Company (see section 26.1.17.1 of this prospectus).

#### 26.1.10 Persons eligible for allotment of the Company's shares

The persons eligible for the Distribution are:

- the shareholders of Maurel & Prom (other than Maurel & Prom itself), whose shares (ISIN Code FR0000051070) will be recorded in the accounts in their name at the end of the accounting day of 14 December 2011, i.e., the day preceding the ex-right and delivery date of Maurel & Prom Nigeria shares (i.e., any purchase orders relating to Maurel & Prom shares

executed during the accounting day of 14 December 2011 will give right to the Maurel & Prom Nigeria shares distributed the following day, even if the settlement of those Maurel & Prom shares takes place only after the ex-right and delivery date of Maurel & Prom Nigeria shares);

- the holders of share subscription warrants issued by Maurel & Prom, whose exercise notice to subscribe for shares will be received by CACEIS Corporate Trust, 14 rue Rouget de Lisle 92862 Issy-les-Moulineaux, at the latest at 10 a.m. (Paris time), on the day preceding the ex-right and delivery date of Maurel & Prom Nigeria shares (i.e., at the latest on 14 December 2011 at 10 a.m. (Paris time)). The holders of share subscription warrants issued by Maurel & Prom which will not exercise such warrants in the conditions set out above will have their parity of allotment adjusted in accordance with section 4.1.7.6(b)(4.) of the prospectus approved by the AMF on 17 May 2010 (approval no. 10-133), as described below in section 26.1.13.1 of this prospectus;
- the holders of OCEANE 2014 issued by Maurel & Prom, whose exercise notice to be allotted shares will be received by, and the corresponding bonds delivered to, CACEIS Corporate Trust, 14 rue Rouget de Lisle 92862 Issy-les-Moulineaux, before 30 November 2011. The holders of OCEANE 2014 issued by Maurel & Prom which will not exercise their rights to be allotted shares in the conditions set out above will have their rights to be allotted shares maintained and adjusted in accordance with section 4.15.8(b)(4.) of the prospectus approved by the AMF on 29 June 2009 (approval no. 09-208), as described below in section 26.1.13.2 of this prospectus; and
- the holders of OCEANE 2015 issued by Maurel & Prom, whose exercise notice to be allotted shares will be received by, and the corresponding bonds delivered to, CACEIS Corporate Trust, 14 rue Rouget de Lisle 92862 Issy-les-Moulineaux, before 30 November 2011. The holders of OCEANE 2015 issued by Maurel & Prom which will not exercise their rights to be allotted shares in the conditions set out above will have their rights to be allotted shares maintained and adjusted in accordance with section 14.6(b)(4.) of the prospectus of 27 July 2010, as described below in section 26.1.13.3 of this prospectus.

The Maurel & Prom shares held by Maurel & Prom itself will not benefit from this Distribution.

Insofar as the Distribution is to be undertaken on the basis of one (1) Company share for one (1) Maurel & Prom share, a maximum of 157,751,700 Company shares will be available for distribution to the eligible parties, based on the fully diluted share capital of Maurel & Prom as at 14 December 2011, i.e., on the day preceding the date of the Distribution (it being specified that the 6,282,801 treasury shares as at 30 September 2011 will not benefit from the Distribution and will be subtracted from this maximum figure in proportion to the number recorded on the date prior to the Distribution, i.e., 14 December 2011).

As at the date of this prospectus, the share capital of Maurel & Prom comprises 121,397,732 shares. On this basis and excluding treasury shares, 115,114,931 Company shares would be likely to be distributed to the parties eligible for the allotment of Company shares, subject to the dilution of the Company's share capital which could result from the exercise of (i) the share subscription warrants issued by Maurel & Prom, (ii) the rights to be allotted Maurel & Prom shares by holders of OCEANE 2014 bonds, (iii) the rights to be allotted Maurel & Prom shares by holders of OCEANE 2015 bonds.

#### 26.1.11 Parity of allotment of the Company's shares

The Company's shares will be distributed on the basis of one (1) Company share for each Maurel & Prom share eligible for the Distribution (one (1) for one (1) parity).

Based on the maximum number of Maurel & Prom shares that are eligible for the Distribution (on a fully diluted basis as at 14 December 2011, i.e., on the day preceding the date of the Distribution), a maximum number of 157,751,700 Company shares will be distributed (it being specified that the 6,282,801 treasury shares held by Maurel & Prom which amounted to 6,282,801 as at 30 September 2011 will not benefit from the Distribution and will be subtracted from this maximum figure in proportion to the number recorded on the date prior to the Distribution, i.e., 14 December 2011). This number will be adjusted on the evening of the day preceding the Completion Date based on the exact number of Maurel & Prom shares eligible for the Distribution and on treasury shares held by Maurel & Prom.

#### 26.1.12 Practical aspects of the Distribution

In practice, for shareholders holding bearer or administered registered Maurel & Prom shares:

- at the Completion Date, CACEIS Corporate Trust (14 rue Rouget de Lisle, 92862 Issy-les-Moulineaux Cedex 9), which will be in charge of centralisation operations for the Distribution, will ensure, via Euroclear France, that all financial intermediaries belonging to Euroclear France automatically register, with no intervention from their clients, on behalf of the Maurel & Prom shareholders whose accounts they handle and with Maurel & Prom shares registered in their names at the end of the accounting day preceding the Completion Date, a number of Company shares corresponding to the number of Maurel & Prom shares registered in each client's account; and
- for shares concerned by a deferred settlement purchase order, the Company shares detached from these shares will pass to the broker, who will register them in the account of the purchaser on the Completion Date. The same rule will apply for a deferred settlement sale order, with such modifications as the circumstances require.

For shareholders who hold pure registered Maurel & Prom shares:

- at the Completion Date, the full number of Company shares due to shareholders will be entered in the Company's register in the name of each holder of pure registered Maurel & Prom shares.

The terms and conditions relating to the admission of the Company's shares to trading are described more fully in section 26.2 of this prospectus.

#### 26.1.13 Protection of the rights of holders of securities

##### 26.1.13.1 *Share subscription warrants*

- (a) Maintenance of the rights of holders of Maurel & Prom share subscription warrants after the Distribution

The rights of holders of subscription warrants for shares listed on the regulated market of NYSE Euronext in Paris allocated free of charge to Maurel & Prom shareholders and for which a prospectus was issued and approved by the AMF on 17 May 2010 (approval no. 10-133), (the "SSW") will be maintained.

- (b) Adjustment of the rights of holders

As a result of the Distribution and in accordance with section 4.1.7.6(b)(4.) of the prospectus approved by the AMF on 17 May 2010 (approval no. 10-133), the exercise parity of all SSW not exercised as at the Completion Date will be adjusted as follows: the new exercise parity will be determined by multiplying the exercise parity in force prior to the Distribution (i.e., one new Maurel & Prom share for 10 share subscription warrants) by the following ratio:

value of the share before Distribution

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value of the share before Distribution – value of the financial instruments remitted per share

Where:

- the "value of the share before Distribution" is equal to the weighted average price of Maurel & Prom shares traded on the regulated market of NYSE Euronext in Paris during the last three trading sessions preceding the day on which the shares are listed before the Distribution; and
- the "value of the financial instruments remitted per share" is equal to the weighted average price of the Company's shares as traded on the regulated market of NYSE Euronext in Paris during the first three listing sessions.

The new exercise parity of the SSW will be expressed to two decimal places and rounded to the nearest one-hundredth.

In accordance with section 4.1.7.8 of the above mentioned prospectus, the new exercise parity of the SSW will be notified to their holders by means of a notice published in a nationally circulated financial newspaper and in the BALO as well as a notice circulated by the regulated market of NYSE Euronext in Paris, on the initiative of Maurel & Prom at the earliest opportunity after the Completion Date.

#### 26.1.13.2 OCEANE 2014

(a) Maintenance of the rights of holders of Maurel & Prom OCEANE 2014 after the Distribution

The rights of holders of bonds that may be converted into and/or exchanged for new or existing shares, with a unitary par value of EUR 15.60, listed on the regulated market of NYSE Euronext in Paris, redeemable on 31 July 2014 and for which a prospectus was issued and approved by the AMF on 29 June 2009 (approval no. 09-208) ("**OCEANE 2014**"), will be maintained.

(b) Adjustment of the rights of holders

As a result of the Distribution and in accordance with section 4.15.8(b)(4) of the prospectus approved by the AMF on 29 June 2009 (approval no. 09-208), the share allocation ratio of OCEANE 2014 not converted or exchanged as at the Completion Date will be adjusted as follows: the new share allocation ratio will be determined by multiplying the share allocation ratio in force prior to the Distribution (i.e., 1.02) by the following ratio:

value of the share before Distribution

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value of the share before Distribution – value of the financial instruments remitted per share

Where:

- the "value of the share before Distribution" is equal to the weighted average price of Maurel & Prom shares traded on the regulated market of NYSE Euronext in Paris during the last three trading sessions preceding the day on which the shares are listed before the Distribution; and

- the "value of the financial instruments remitted per share" is equal to the weighted average price of the Company's shares traded on the regulated market of NYSE Euronext in Paris during the first three sessions of listing.

The new share allocation ratio of the OCEANE 2014 will be expressed to two decimal places and rounded to the nearest one-hundredth.

In accordance with section 4.15.10 of the above mentioned prospectus, the new allocation ratio of the OCEANE 2014 will be notified to their holders by means of a notice published in a nationally circulated financial newspaper and in the BALO, as well as a notice circulated by the regulated market of NYSE Euronext in Paris, on the initiative of Maurel & Prom at the earliest opportunity after the Completion Date.

#### 26.1.13.3 OCEANE 2015

##### (a) Maintenance of the rights of holders of Maurel & Prom OCEANE 2015 after the Distribution

The rights of holders of bonds that may be converted into and/or exchanged for new or existing shares, with a unitary par value of EUR 12.70, listed on the Euro MTF market of the Luxembourg Stock Exchange, redeemable on 31 July 2015 and which were the subject of a private placement with a prospectus on 27 July 2010 ("**OCEANE 2015**"), will be maintained.

##### (b) Adjustment of the rights of holders

As a result of the Distribution and in accordance with section 14.6(b)(4) of the prospectus of 27 July 2010, the share allocation ratio of OCEANE 2015 not converted or exchanged as at the Completion Date will be adjusted as follows: the new share allocation ratio will be determined by multiplying the share allocation ratio in force prior to the Distribution (i.e., one new share for one OCEANE 2015) by the following ratio:

value of the share before Distribution

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value of the share before Distribution – value of the financial instruments remitted per share

Where:

- the "value of the share before Distribution" is equal to the weighted average price of the Maurel & Prom shares traded on the regulated market of NYSE Euronext in Paris during the last three trading sessions preceding the day on which the shares are listed before the Distribution; and
- the "value of the financial instruments remitted per share" is equal to the weighted average price of the Company's shares traded on the regulated market of NYSE Euronext in Paris during the first three listing sessions.

The new share allocation ratio of the OCEANE 2015 will be expressed to two decimal places and rounded to the nearest one-hundredth.

In accordance with section 14.8 of the above mentioned prospectus, the new allocation ratio of the OCEANE 2015 will be notified to their holders by means of a notice published on the website of the Luxembourg Stock Exchange, on the initiative of Maurel & Prom at the earliest opportunity after the Completion Date. A notice will also be published in the BALO on the initiative of Maurel & Prom at the earliest opportunity after the Completion Date.

26.1.14 Protection of the rights of corporate officers and employees of Maurel & Prom benefiting from profit-sharing plans

26.1.14.1 *Consequences for the beneficiaries of free shares*

- (a) Maintenance of the rights of beneficiaries of free Maurel & Prom shares after the Distribution

The rights of holders of the free shares allocated on 15 December 2009, 20 December 2010, 1<sup>st</sup> June 2011 and 20 July 2011 by Maurel & Prom to its employees (the "**Free Shares**") will be maintained.

- (b) Adjustment of the rights of beneficiaries

As a result of the Distribution and in accordance with the Maurel & Prom free share allocation plan covered by the provisions of Article L. 228-99 of the French Commercial Code, the board of directors of Maurel & Prom decided on 2 November 2011 that the number of Free Shares allocated and still in the acquisition period will, for each beneficiary, be multiplied by the following ratio:

value of the share before the Distribution

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value of the share before the Distribution – value of the financial instruments remitted per share

The board of directors of Maurel & Prom decided on 2 November 2011 to use, for the purposes of this adjustment:

- For the "value of the share before the Distribution", the weighted average price of Maurel & Prom shares traded on the regulated market of NYSE Euronext in Paris during the last three trading sessions preceding the day on which the shares are listed before the Distribution; and
- For the "value of the financial instruments per share", the weighted average price of the Company's shares traded on the regulated market of NYSE Euronext in Paris during the first three sessions of listing.

26.1.14.2 *Consequences of the Distribution for the Company Savings Plan*

Under the Maurel & Prom Company Savings Plan, the Maurel & Prom *fonds commun de placement* ("**FCPE**") GSC 700 may receive Maurel & Prom Nigeria shares under the Distribution. This is because the Maurel & Prom Company Savings Plan provides that the Maurel & Prom FCPE GSC 700 receives the dividends relating to company shares.

The rules of the Maurel & Prom FCPE GSC 700, the shareholding fund of Maurel & Prom, allow holders to own shares in Maurel & Prom Nigeria. Indeed, if over one third of the Maurel & Prom FCPE GSC 700 assets must be listed Maurel & Prom shares; the remainder can be French or foreign securities listed on a regulated market, which means that the Maurel & Prom FCPE GSC 700 may contain Maurel & Prom Nigeria shares received as extraordinary dividends by Maurel & Prom shareholders.

## 26.1.15 Consequences of the Distribution

### 26.1.15.1 *Consequences for the Company and its shareholders*

- (a) No impact on the shareholders' equity of the Company

The Distribution will have no impact on the shareholders' equity of the Company. However, the preliminary transactions described in section 26.1.7 of this prospectus will have an impact on the Company's shareholder's equity as described in section 26.1.7.

- (b) Changes contemplated in the composition of the Company's administrative and management bodies

Not applicable.

The composition of the Company's board of directors is described in section 14.1.1.1 of this prospectus.

- (c) Financial information

The Company's financial statements are presented in section 20.1 of this prospectus.

- (d) Distribution of the Company's share capital after the Distribution

The distribution of the Company's share capital at the Completion Date is indicated in section 18.1 of this prospectus.

### 26.1.15.2 *Consequences for Maurel & Prom and its shareholders*

The impact of the Distribution on Maurel & Prom and its shareholders is described in the update to Maurel & Prom's reference document which will be filed with the French *Autorité des Marchés Financiers* (AMF) before Maurel & Prom's general meeting of 12 December 2011 convened to approve the Distribution. Please note that such update to the reference document has not been incorporated by reference to this prospectus.

## 26.1.16 Tax rules applicable to the Distribution

Please note that the following is only a summary of the tax rules applicable to shareholders under French tax law (excluding all other laws and particularly Nigerian law). Shareholders are advised to consult their regular tax advisor to review their individual situations.

This summary is based on the French legal and statutory provisions in force at the date of this prospectus and may be affected by any change made to these provisions or to their interpretation by the French tax authorities.

With the exception of the summary information given in section 3 of this prospectus, this information is limited to the significant tax repercussions for natural or legal persons holding Maurel & Prom shares and who are or are deemed to be French tax residents under French tax law. Certain categories of Maurel & Prom shareholders may be subject to specific rules that are not analysed below, as a result of which tax consequences may be substantially different from the general rules considered below.

Persons who are not resident in France for tax purposes must also comply with the tax law in force in their country of residence, subject to the application of a tax agreement concluded by France with that country.

#### *26.1.16.1 Tax consequences for Maurel & Prom*

With regard to direct taxes, the capital gain or loss caused by the distribution of the Company shares to the shareholders (and accordingly, the withdrawal of this asset from the assets of Maurel & Prom) will be recognised in Maurel & Prom's earnings liable to corporate income tax. Provided that the Company's shares constitute equity securities, as defined under Article 219 I a *quinquies* of the French Tax Code ("FTC") and that the Company's shares have been held by Maurel & Prom for at least two years at the time of the Distribution, the capital gain generated by the Distribution may benefit from the exemption rules set out in Article 219, I a *quinquies* of the FTC, subject to taxation at the ordinary rate of a portion of the costs and charges equal to 10% of the capital gain. Shareholders should note that article 4 of the second amendment to the budget law for 2011 (Law n° 2011-1117 dated 19 September 2011) has increased the rate of this portion of costs and charges from 5% to 10% for any fiscal years opened from 1<sup>st</sup> January 2011. Conversely, any capital loss will not be deductible from the taxable earnings of Maurel & Prom.

#### *26.1.16.2 Tax consequences for Maurel & Prom shareholders*

The amount of the dividends paid by Maurel & Prom to its shareholders relating to the Distribution will be decided by the Maurel & Prom shareholders at a shareholders' meeting to be held on 12 December 2011. This is the amount that will be taken into account for determining the tax consequences of the Distribution for Maurel & Prom shareholders, as described below.

Regarding registration tax, the Distribution is not comparable to a transfer in lieu of payment of a debt (*dation en paiement*) or a sale of shares and is therefore not subject to the tax on the transfer of corporate interests set out in Article 726 of the French Tax Code.

##### (a) Shareholders with tax residence in France

###### *(1) Natural persons*

These shareholders will be subject to the same rules as those described in section 26.2.10.1(a) (Dividends) of this prospectus regarding the Company shares they receive under the Distribution.

###### *(2) Legal persons liable for corporate income tax*

These shareholders will be subject to the same rules as those described in section 26.2.10.1(b) (Dividends) of this prospectus regarding the Company shares they receive within the context of the Distribution.

##### (b) Shareholders with tax residence outside France

These shareholders will be subject to the same rules as those described in section 26.2.10.2(a) (Dividends) of this prospectus regarding the Company shares they receive within the context of the Distribution.

#### 26.1.17 Criteria for appraising the value of Maurel & Prom Nigeria

##### *26.1.17.1 Overview of the work carried out by Ledouble*

This section contains an overview of the work carried out by Ledouble, which was appointed as an independent expert by the board of directors of Maurel & Prom on 29 July 2011.

For the purposes of the determination of the range of values of the Company issued to Maurel & Prom's board of directors, the independent expert did not take into account the capital adjustments described in section 26.1.7 of this prospectus, particularly the EUR 105 million capital increase to be subscribed for by Maurel & Prom prior to the Distribution, as these transactions were not completed on the date of issue of its report. However, they have been taken into account by the

Maurel & Prom board of directors in its decision determining the value of 100% of the shares that are the subject of the Distribution to be proposed to the Maurel & Prom shareholders at the shareholders' meeting to be held on 12 December 2011 to approve the Distribution and the arrangements for the allocation of this value in Maurel & Prom's financial statements (see section 26.1.17.3 of this prospectus).

The English version of the summary concerning the evaluation of the valuation of the Company's shares issued by the firm Ledouble on 4 November 2011 is a free translation of the original summary concerning the evaluation of the valuation of the Company's shares issued by the firm Ledouble on 4 November 2011 drafted in French. This free translation must be read in conjunction with the French version of the summary concerning the evaluation of the valuation of the Company's shares issued by the firm Ledouble on 4 November 2011 which is available in the French version of the prospectus. In case of inconsistency between the French version of the evaluation of the valuation of the Company's shares issued by the firm Ledouble on 4 November 2011 and its English translation included in this prospectus, the French version shall prevail.

**ETABLISSEMENTS MAUREL & PROM**

Mr Jean-François HENIN

Chairman of the Board of Directors

12 rue Volney

75002 – PARIS

Paris, 4 November 2011

*Re: independent appraisal*

Dear Sir,

The Board of Directors of Etablissements Maurel & Prom ("**M&P**"), which met on 29 July 2011, voluntarily appointed our firm, **Ledouble SA**, as independent appraiser to assist the Board with the valuation of the shares of Maurel & Prom Nigeria ("**M&P Nigeria**" or the "**Company**"), which is to be calculated for the purposes of the admission of M&P Nigeria's shares to trading on the regulated market of NYSE Euronext in Paris, due to take place simultaneously with the distribution of all of the Company's shares to the shareholders of M&P (the "**Transaction**").

A draft prospectus has been issued for the Transaction (the "**Prospectus**") based on the information available at 30 June 2011 and has been submitted to the French markets authority, the *Autorité des Marchés Financiers* (**AMF**).

This letter, which summarises our work and our observations, is divided into three parts:

- the first part sets out the main criteria for our appraisal (§ 1),
- the second comments briefly on the results of our various approaches to the valuation (§ 2),
- the third is a summary – presented as a bar chart – of our valuation range, as at the date hereof (§ 3).

## 1. OVERVIEW OF THE MULTI-CRITERIA VALUATION PROCESS

Our multi-criteria valuation is based primarily on the following:

- An analysis of the events that took place after the acquisition by M&P (since replaced by M&P Nigeria) of a 45% stake in Seplat<sup>1</sup> and the acquisition by Seplat on 30 July 2010 of a 45%<sup>2</sup> interest in Oil Mining Licences (OMLs) 4, 38 and 41 (§ 2.1);
- Discounted cash flow (DCF) derived from Seplat's business plan (§ 2.2);
- The analysis of brokers' consensus on a sum-of-the-parts (SoP) valuation of M&P Nigeria within M&P (§ 2.3).

On a secondary basis, we have included in our valuation range the value of M&P Nigeria by transparency with the Afren group, which, due to its structure and its geographical location, including Nigeria,<sup>3</sup> seems to be the most appropriate comparable; we have therefore included in our approach the value of the Company with respect to:

- Afren's 2010 acquisition of a 45% interest in OML 26 via the special purpose vehicle FHN<sup>4</sup> (§ 2.4),
- the valuation of Afren's Nigerian assets, incorporating OML 26 abovementioned (§ 2.4).

Lastly, for indicative purposes only:

- we examined the transaction values of the transactions carried out by M&P and Afren in 2010 from a historical point of view (2.5),
- we carried out a final valuation by analogy using multiple of reserves ("2P") and profitability ratios (EBITDA,<sup>5</sup> EBITDAX<sup>6</sup>) from a relatively broad sample of comparable listed companies<sup>7</sup> including Afren and midcaps revolving around the large cap companies, and partly operating in Nigeria; this comparative valuation was shown to be finally irrelevant and we therefore ruled it out.

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<sup>1</sup> With its partners Shebah (33%) and Platform (22%).

<sup>2</sup> 55% of these assets remain the property of Nigerian Petroleum Development Company (NPDC); we examined the main provisions of the agreements relating to this transaction, which are listed and summarised in the Prospectus.

<sup>3</sup> Over 90% of Afren's reserves are located in Nigeria.

<sup>4</sup> Based on a structure that is more or less comparable to Seplat's 45% interest in OMLs 4, 38 and 41.

<sup>5</sup> Earnings before interest, taxes, depreciation and amortisations.

<sup>6</sup> Earnings before interest, taxes, depreciation, amortisations and exploration expenses.

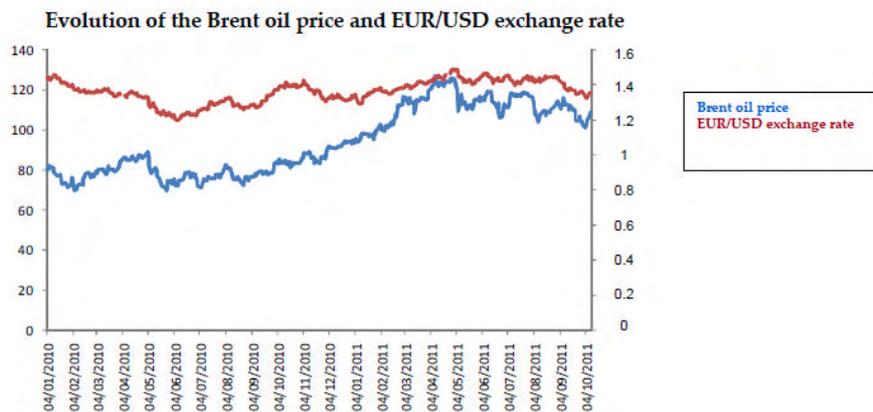
<sup>7</sup> Exploration – Upstream production.

## 2. RESULTS OF THE VARIOUS APPROACHES

### 2.1 Follow up of M&P's acquisition of the stake in M&P Nigeria

The Company's net consolidated assets of **EUR 133 million**, is to be related to the gross book value of the shares held by M&P in M&P Nigeria, valued, since the stake was acquired in 2010, at **EUR 133.4 million**.<sup>8</sup>

In addition to the USD 33 million earn-out to be disbursed, which is conditional on the change in the price of the barrel, the appreciation of the EUR/USD exchange rate since the transaction that took place in mid-2010 must also be taken into consideration when updating the value of M&P Nigeria:



### 2.2 DCF

Our model of the cash flows resulting from the latest version of Seplat's business plan anticipates that 100% of the P1 reserves<sup>9</sup> and 50% of the P2 reserves will enter production; we included to it expenses amounting to 3% of the annual capital expenditure (Capex)<sup>10</sup> to be disbursed *in fine* (2030) to cover dismantling and rehabilitation costs, according to sector practice. The USD 33 million earn-out is due to be paid in 2012, pursuant to the contractual provisions.

The business plan extends until the end of 2014 the reduced rate Petroleum Profit Tax (PPT) of 65.75% applicable to new investors for the first five years of production; the plan anticipates a return to the ordinary PPT rate of 85% as from 2015.

<sup>9</sup> Pursuant to practices within the M&P group (see M&P 2010 reference document p. 143).

<sup>10</sup> We thus considered the dismantling and rehabilitation costs to be proportionate to installation costs; the estimate made in DCF (EUR 0.4 million in central value) is to be related to the corresponding provision made in M&P's financial statements as at 30 June 2011 (EUR 0.6 million).

We have tested the reaction of the DCF model with the equity capital of M&P Nigeria (EUR 163 million) as the central value, in various different scenarios, including:

- a reduction from 100% to 90% of the P1 reserves put into production: the impact is around EUR 10 million;
- the non-renewal of the OMLs in 2019: the impact is around EUR 3 million, a limited amount given that the production profile is concentrated on the first years of the business plan and the effect of discounting.

In conclusion, the sensitivity analysis of the DCF model led us to close the valuation of M&P Nigeria's equity capital to between **EUR 150 million and EUR 160 million**, given in particular the need for 100% of the P1 reserves to be put into production and the uncertainty over the renewal of the OMLs.

### **2.3 Brokers' consensus on the valuation of M&P Nigeria**

Based on the various estimates of the "2P" reserves, from which the "Core value" is derived,<sup>11</sup> the brokers' most recent ratings evaluate M&P Nigeria at USD 6.40 per barrel on average.

After applying this average price per barrel to the "2P" reserves identified by Gaffney, Cline & Associates Ltd, namely 24.7 MMbbl,<sup>12</sup> the value of M&P Nigeria's equity capital, based on its restated net assets, amounts to around **EUR 128 million**.

### **2.4 Acquisition of OML 26 by Afren**

Afren's 2010 acquisition of a 45% interest in OML 26 via FHN valued the 2P reserves at USD 6.70 / boe before royalties, namely USD 8.40 / boe after royalties.

According to the latest ratings, OML 26 is worth around USD 8.80 / boe within Afren's overall oil and gas portfolio<sup>13</sup>; the value by transparency of M&P Nigeria's equity capital, based on its restated net assets, would therefore amount to nearly **EUR 170 million**.

### **2.5 Transaction multiples**

We verified that the acquisition of Seplat's assets at USD 4.50 / bbl<sup>14</sup> (before royalties) was included in the range of values derived from the transactions carried out since 2009 in Nigeria, of which there were a limited number.

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<sup>11</sup> Excluding the upside value, which is recorded under contingent resources.

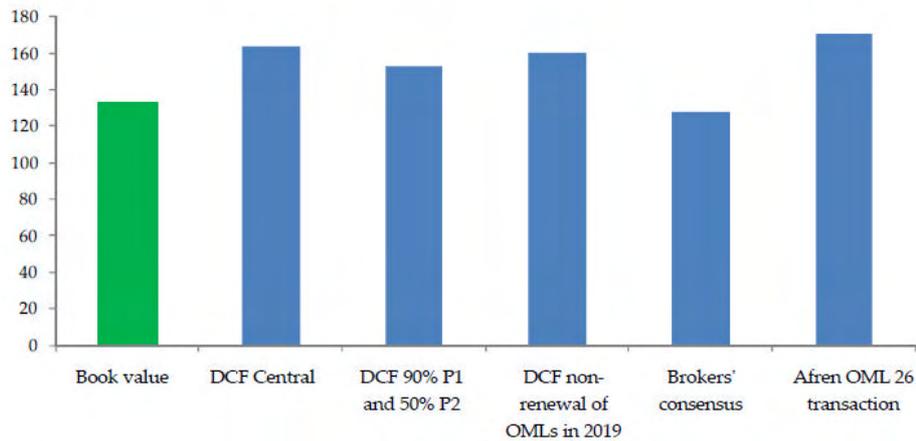
<sup>12</sup> Corresponds to M&P Nigeria's share.

<sup>13</sup> NPV valuation including, as applicable, the probabilities that the reserves will be exploited.

<sup>14</sup> USD 340 million / 74 MMbbl.

### 3. SUMMARY

As illustrated below in the bar chart summary, the value of M&P Nigeria finally lies, prior to the cash injection from M&P, between a series of points that corroborate, in a range of EUR 128 million to EUR 170 million, the book value of its shares, namely EUR 133 million, as recorded in the accounts of M&P (in millions of EUR):



For the avoidance of doubt, please note that this valuation excludes:

- pollution removal costs for the operating sites;
- minority discount.

Please do not hesitate to contact us for any further information.

Yours sincerely,

Olivier CRETTE

Dominique LEDOUBLE

### 26.1.17.2 Table relating to the sensitivity of the value per share of the Company

The table below shows the value per share of the Company resulting from the range of values of the Company as retained by the independent expert.

	<b>Number of Maurel &amp; Prom Nigeria shares distributed</b>	<b>Low value retained by the independent expert in the framework of its expertise*</b>	<b>Medium value retained by the independent expert in the framework of its expertise**</b>	<b>High value retained by the independent expert in the framework of its expertise***</b>
<b>Share capital of Maurel &amp; Prom as at 30 September 2011 (excluding treasury shares)</b>	115,114,931	2.02	2.21	2.39
Upon exercise of all the share subscription warrants	126,502,639	1.84	2.01	2.17
Upon exercise of all the OCEANES 2014 bonds	145,957,087	1.60	1.74	1.88
Upon exercise of all the OCEANES 2015 bonds	151,468,899	1.54	1.68	1.82

\* Retained low value of EUR 128 million, to which the amount of the share capital increase of EUR 105 million expected to be subscribed by Maurel & Prom prior to the shareholders meeting deciding on the Distribution, has been added.

\*\* Retained medium value of EUR 149 million, to which the amount of the share capital increase of EUR 105 million expected to be subscribed by Maurel & Prom prior to the shareholders meeting deciding on the Distribution, has been added.

\*\*\* Retained high value of EUR 170 million, to which the amount of the share capital increase of EUR 105 million expected to be subscribed by Maurel & Prom prior to the shareholders meeting deciding on the Distribution, has been added.

### 26.1.17.3 Decision of the board of directors

At a meeting held on 2 November 2011, the board of directors of Maurel & Prom, after reviewing the work and the conclusions of the independent expert's report as described above, decided to set the valuation of the Company at EUR 240 million for the purposes of the accounting recording of the Distribution, which it proposes to allocate to the "Other Reserves" accounting item. This amount will need to be approved by the shareholders of Maurel & Prom at the ordinary shareholders' meeting scheduled for 12 December 2011 for a decision on the Distribution.

For the purpose of the determination of this value of EUR 240 million and in addition to the conclusions of the independent appraiser, the board of directors of Maurel & Prom took into account the preliminary transactions carried out prior to the Distribution, which will have no effect on the value of the Company, with the exception of the EUR 105 million share capital increase of the Company to be fully subscribed by Maurel & Prom prior to its general meeting to be held for a decision on the Distribution. This share capital increase was however not taken into account in the independent expert's work (see section 26.1.17.1 of this prospectus). It aims at granting the Company with the funds necessary for its development and its amount was determined by the board of directors of Maurel & Prom after consideration of various parameters, such as the

estimated needs of the Company to ensure its autonomy and its development with respect to its value and the available resources of Maurel & Prom.

In light of the value of EUR 240 million approved by the board of directors of Maurel & Prom and based on the 115,114,931 shares, excluding treasury shares, issued by Maurel & Prom on 30 September 2011, the indicative reference value of one Company share is EUR 2.08. This value will be adjusted based on the number of Maurel & Prom shares (excluding treasury shares) recorded on 14 December 2011, the day before the Distribution, in order to take into account any share subscription warrants and OCEANES 2014 bonds and OCEANES 2015 bonds that may be exercised and any variation in the number of treasury shares since 30 September 2011. This new value will be published on 14 December 2011 by Euronext and in a press release issued by Maurel & Prom. It gives no assurance as to the value of the Company's shares which will result from their admission to trading on the regulated market of NYSE Euronext in Paris.

#### 26.1.18 Interests of natural and legal persons taking part in the issue

The transaction described in this prospectus does not give rise to any public offer or issue. In addition, the Distribution will benefit all Maurel & Prom shareholders equally.

#### 26.1.19 Intentions of principal shareholders

Pacifico and MACIF have informed Maurel & Prom that they will vote in favour of the Distribution. In addition, Pacifico has undertaken to BNP Paribas, according to a lock-up undertaking (see section 26.1.3 of this prospectus), not to sell its Maurel & Prom Nigeria shares until the expiry of a period of 365 calendar days following the date of admission of the Company's shares to trading on the regulated market of NYSE Euronext in Paris, except (i) to an affiliate, (ii) in the case of a tender offer, an exchange offer, an alternative offer (cash or shares) or a combined offer (cash and shares) for the Company's shares, to which Pacifico would be free to contribute its shares, or (iii) to establish a charge over the Company's shares.

## **26.2 Description of the Company's shares**

### 26.2.1 Form, class and vesting date of Company shares admitted for trading – ISIN code

The Company's shares that are to be admitted to trading on the regulated market of NYSE Euronext in Paris that will form the Company's share capital on the Completion Date, after the completion of the Preliminary Transactions described in section 26.1.7 of this prospectus, are ordinary shares of the same category. The number of shares of the Company will be adjusted on the day preceding the Completion Date (in the evening) depending on the exact number of Maurel & Prom shares entitled to the Distribution.

The admission to trading on the regulated market of NYSE Euronext in Paris of all the shares which will form the Company's share capital on the Completion Date, has been requested.

In view of the size of the Company's share capital at the time of its admission to trading on the regulated market of NYSE Euronext in Paris, it is expected that the shares will be admitted to trading on compartment B.

The nominal value of the Company's shares that are to be admitted to trading on the regulated market of NYSE Euronext in Paris is EUR 0.10 each. These shares will be paid-up in full at the time of their admission to trading.

The Company's shares will be traded on the regulated market of NYSE Euronext in Paris under the ISIN code FR0011120914.

The ticker symbol for the Company's shares is MPNG (NYSE Euronext Paris).

### 26.2.2 Applicable law and jurisdiction

The Company's shares are subject to French law.

In the event of a dispute with the Company, the courts for the place in which the Company's registered office is located will have jurisdiction if the Company is the defendant in the case; where the Company is the claimant, the appropriate court will be identified depending on the nature of the dispute, unless provided otherwise by the French Civil Procedure Code.

### 26.2.3 Form of the shares and book-entry procedures

The Company's shares may be registered (pure or administered) or bearer shares, at the choice of the shareholder.

Pursuant to the provisions of Article L. 211-3 of the French Monetary and Financial Code, the Company's shares, regardless of their form, will be dematerialised and must therefore be recorded in book entries kept by the Company or by an authorised service provider, as the case may be. The shareholders will be recorded by name as the owners of the shares in the records of:

- CACEIS Corporate Trust, mandated by the Company, for shares in pure registered form;
- an authorised financial intermediary of the shareholder's choice and CACEIS Corporate Trust, mandated by the Company, for shares in administered registered form;
- an authorised financial intermediary of the shareholder's choice for bearer shares.

Pursuant to Articles L. 211-15 and L. 211-17 of the French Monetary and Financial Code, the shares will be transmitted by inter-account transfer and the transfer of ownership will take place when the shares are recorded in the securities account of the purchaser.

A request will be submitted to admit all of the Company's shares to the operations of Euroclear France as central depository and to the settlement systems of Euroclear France S.A., Euroclear Bank S.A. and Clearstream Banking S.A. (Luxembourg).

Securities services and financial services for the Company's shares will be provided by CACEIS Corporate Trust.

According to the indicative timetable, the Company's shares are expected to be recorded in securities accounts and tradable as from 15 December 2011.

### 26.2.4 Issue currency

The shares to be admitted will be issued in euros.

### 26.2.5 Rights attached to the shares

From the moment of their creation, the Company's shares are subject to all provisions of the Company's articles of association. Based on current French law and the Company's articles of association that will be in force at the date of admission, the principal rights attached to the Company's shares are described below.

#### *26.2.5.1 Dividend rights*

The new shares will bear full dividend rights and all other rights and obligations as existing shares. They will entitle the holders to all distributions of dividends, interim dividends, reserves or similar amounts decided after their issue date.

Dividends may be granted to all shareholders at the shareholders' meeting of the Company called to approve the annual financial statements.

The shareholders may decide that the dividend should be paid in cash or in kind in the form of assets. They may also decide to grant each shareholder, for all or part of the distributed or interim dividend paid, a choice between a payment in cash or in shares issued by the Company, in accordance with the legal and regulatory provisions in force. Dividends not claimed within a period of five years from the time when they became payable are time-barred and must then be paid to the French treasury.

Dividends paid to non-residents are subject to a withholding tax in France (see section 26.2.10.2 of this prospectus).

#### *26.2.5.2 Voting rights*

The provisions of the Company's articles of association relating to voting rights are summarised in sections 18.2 and 21.2 of this prospectus.

#### *26.2.5.3 Preferential subscription rights for shares of a given class*

Under current French law, and particularly Article L. 225-132 of the French Commercial Code, any share capital increase in cash gives existing shareholders a preferential right of subscription for the new shares.

At the shareholders' meeting held to make a decision on the authorisation of a share capital increase, the shareholders may decide to cancel the preferential subscription right for the entire capital increase or for one or more tranches of that increase and may or may not set a priority subscription period for existing shareholders. When the issue is made without preferential subscription rights, the issue price must be set in accordance with Articles L. 225-135 *et seq.* of the French Commercial Code and Article R. 225-119 of the French Commercial Code.

In addition, the shareholders' meeting may also decide to reserve a capital increase for specific persons or specific categories of persons satisfying particular criteria, in accordance with Article L. 225-138 of the French Commercial Code.

The shareholders' meeting may reserve the share capital increase for the shareholders of another company for which the Company has issued an exchange offer pursuant to Article L. 225-148 of the French Commercial Code. Share capital increases paid up via contributions in kind and reserved for the contributors are subject to a separate procedure set out in Article L. 225-147 of the French Commercial Code.

#### *26.2.5.4 Right to a share in the Company's profits*

The provisions of the Company's articles of association relating to profit-sharing are summarised in section 21.2 of this prospectus.

#### *26.2.5.5 Right to a share of any surplus in the event of liquidation*

All of the Company's shares, regardless of their class, carry the right to a fraction of the Company's assets and any liquidation surplus that is equal to that of the share capital they represent, taking into account, where applicable, of any portions of the share capital that have or have not been redeemed or paid up.

The shares are indivisible with respect to the Company.

#### 26.2.5.6 *Repurchase/conversion clause*

The articles of association do not include any share repurchase or conversion clauses.

#### 26.2.5.7 *Identification of holders of securities*

The Company will be kept informed of the composition of its shareholding base under the conditions set out by law. To this end, the Company will be entitled to make use of any legal provisions established with regard to the identification of holders of securities conferring an immediate or future right to vote at its general meetings (see section 21.2.3.3 of this prospectus).

#### 26.2.6 Envisaged date for the registration of the Company shares allocated to Maurel & Prom shareholders

The registration by the financial intermediaries of the Company shares allocated to Maurel & Prom shareholders as part of the Distribution is expected to take place on 15 December 2011.

#### 26.2.7 Restrictions on the free trading of the shares

None of the clauses of the Company's articles of association places any restriction on the trading of the shares comprising the Company's share capital.

#### 26.2.8 French regulations on public offers

Once its shares have been admitted to trading on the regulated market of NYSE Euronext in Paris, the Company will be subject to the laws and regulations in force in France pertaining to mandatory tender offers and to the buy-out [*offre publique de retrait*] and mandatory squeeze-out [*retrait obligatoire*] procedures.

##### 26.2.8.1 *Mandatory tender offers*

Article L. 433-3 of the French Monetary and Financial Code and Articles 234-1 *et seq.* of the AMF General Regulations set out the conditions for the mandatory filing of a tender offer for all of the equity securities and other securities giving access to the share capital or voting rights of a company of which the shares are admitted for trading on a regulated market of a Member State of the European Community or of another State that is party to the Agreement on the European Economic Area.

##### 26.2.8.2 *Buy-out and mandatory squeeze-out*

Article L. 433-4 of the French Monetary and Financial Code and Articles 236-1 *et seq.* (buy-out), 237-1 *et seq.* (mandatory squeeze-out following a buy-out) and 237-14 *et seq.* (mandatory squeeze-out following any tender offer) of the AMF General Regulations set out the conditions for the filing of a buy-out together with, where applicable, a mandatory squeeze-out of minority shareholders and holders of securities giving access to the share capital of a company of which the shares are admitted for trading on a regulated market of a Member State of the European Community or of another State that is party to the Agreement on the European Economic Area and the conditions for the filing of a mandatory squeeze-out following any tender offer procedure.

#### 26.2.9 Tender offers initiated by third parties for the Company's shares in the last fiscal year and in the current fiscal year

Since none of the Company's shares were admitted for trading on a regulated market on the date of the approval of this prospectus by the AMF, no tender offers by third parties have been made in the last fiscal year or in the current fiscal year.

## 26.2.10 Tax rules applicable to the shares

The tax rules described below are applicable to natural or legal persons holding Company shares.

Shareholders should note that this text is a summary of the applicable tax rules, given for general information purposes, and does not purport to constitute a complete analysis of all tax consequences that might apply to a shareholder. Shareholders are advised to consult their regular tax advisor to review their individual situations.

This summary is based on the French legal and statutory provisions in force at the date of this prospectus and could be affected by any change made to these provisions and to their interpretation by the French tax authorities.

Persons who are not resident in France for tax purposes must also comply with the tax laws in force in their country of residence, subject to the application of a tax agreement signed between France and that country.

### 26.2.10.1 *Shareholders with tax residence in France*

- (a) Natural persons holding securities as part of their private assets and not carrying out financial market transactions on an usual basis

The following is a summary of the tax provisions applicable to natural persons with tax residence in France who do not carry out financial market transactions under conditions similar to those applicable to the activities of persons engaged in this type of transaction on a professional basis. Natural persons undertaking financial market transactions are invited to consult their regular tax advisor to review their individual situations.

#### Dividends

##### *Ordinary rules*

Dividends are taken into account in the calculation of the total income of a taxpayer and are subject to the progressive rate scale for tax on income in the category of income from investments for the year in which they are received. Pursuant to Article 158 of the FTC, they benefit, first of all, from an uncapped allowance of 40% on the amount of the income distributed (the "**40% Allowance**"), and secondly, after taking account of the 40% Allowance, from a fixed annual allowance (i) of EUR 3,050 for married taxpayers who file a joint return or partners who file a joint return after registering a civil partnership (*pacte civil de solidarité*) as defined in Article 515-1 of the French Civil Code and (ii) of EUR 1,525 for single, widowed or divorced persons or married persons who file separate returns (the "**Fixed Allowance**").

Shareholders should note that Article 7 of the French budget law for 2011 (no. 2010-1657 of 29 December 2010) terminated the 50% tax credit on dividends provided for by Article 200 *septies* of the French Tax Code as from the 2010 tax year.

In addition, dividends (before application of the 40% Allowance and the Fixed Allowance) are also subject to the five social contributions described below, which are applicable to income from capital at a global rate of 13.5%:

- the *contribution sociale généralisée* ("**CSG**") or general social contribution, defined in Article L. 136-6 of the French Social Security Code, of 8.2%; the CSG on dividends subject to the progressive rate scale for income tax is deductible at a rate of 5.8% from the taxpayer's taxable income base for the year of payment of the CSG;

- the *contribution pour le remboursement de la dette sociale* ("**CRDS**") or contribution toward the repayment of social security debt, defined in Article 15 of Ordinance 96-50 of 24 January 1996, of 0.5%, not deductible from the taxable income base;
- a 3.4% social security contribution defined in Article L. 245-16 of the French Social Security Code, not deductible from the taxable income base;
- a 0.3% addition to the 2.2% social security contribution, defined in Article L. 14-10-4(2°) of the French Family and Social Action Code, not deductible from the taxable income base; and
- a 1.1% addition to the 2.2% social security contribution, defined in Article L. 262-24 III of the French Family and Social Action Code, not deductible from the taxable income base.

These social contributions are withheld before payment when the establishment paying the distributed income to which they are applicable is based in France.

Shareholders should note that the overall rate of these contributions of 13.5% (which was previously fixed at 12.3%) results from article 10 of the second amendment to the budget law for 2011 and applies to any dividend received as from 1 October 2011.

#### *Optional prélèvement forfaitaire libératoire ("**PFL**") or flat-rate contribution*

As an exception to the ordinary rules, beneficiaries of dividends satisfying the conditions of eligibility for the 40% Allowance provided for in Article 158(3)(2°) of the French Tax Code may opt to pay a PFL of 19%, pursuant to Article 117 *quater* of the French Tax Code. They must exercise this option no later than the date of collection of the dividends.

The above-mentioned 40% Allowance and Fixed Allowance, as defined in Article 158 of the French Tax Code, may not apply in conjunction with the PFL.

The option may be exercised separately for each payment received but, once exercised, is irrevocable as from the date of collection of the payment concerned.

If, during a given year, a taxpayer received distributed income for which he/she has opted for the PFL and distributed income liable for income tax on the progressive rate scale, the latter portion of his/her distributed income may not benefit either from the 40% Allowance or the Fixed Allowance, even if it satisfies the conditions of eligibility for the 40% Allowance.

In any event, dividends are also subject to the five social contributions listed above at a global rate of 13.5%, withheld on payment by the establishment paying the distributed income, it being specified that none of these withholdings is deductible from the taxpayer's taxable income base if he/she opts to pay the PFL.

#### Capital gains and losses

Pursuant to Article 150-0 A of the French Tax Code, all net capital gains generated over the course of a given year by natural persons are liable, from the first euro, to income tax at a proportional rate of 19% and social contributions of 13.5%, i.e., a current total rate of 32.5%.

Shareholders should note that Article 8 of the French budget law for 2011 (no. 2010-1657 of 29 December 2010) terminated the tax threshold provided for by Article 150-0 A I of the French Tax Code for all disposals carried out from 1 January 2011. With respect to social contributions, the threshold was removed from 1 January 2010.

The total rate of 32.5% breaks down as follows:

- income tax at the proportional rate of 19%;
- CSG at a rate of 8.2%, not deductible from the taxable income base;
- CRDS at a rate of 0.5%, not deductible from the taxable income base;
- the 3.4% social security contribution, not deductible from the taxable income base;
- the 0.3% addition to the 2.2% social security contribution, not deductible from the taxable income base;
- the 1.1% addition to the 2.2% social security contribution provided for in Article L. 262-24 III of the French Family and Social Action Code, not deductible from the taxable income base.

Shareholders should note that the overall rate of these contributions of 13.5% (which was previously fixed at 12.3%) results from article 10 of the second amendment to the budget law for 2011 and applies to capital gains as from 1 October 2011.

Pursuant to Article 150-0 D *bis* of the French Tax Code, for the calculation of income tax at the proportional rate of 19%, capital gains from share assignments are reduced by an allowance of one third per year of holding beyond the fifth year (i.e., full exemption of the capital gain beyond eight years of holding the shares), provided that the taxpayer can provide supporting documents to prove that he/she held the shares continuously over the period of time claimed. The duration of the shareholding is deemed to commence on 1 January of the year of acquisition of the shares. Social contributions apply to the capital gain amount prior to the application of the allowance for the duration of the shareholding. This allowance also applies to capital losses on disposal: it will be deducted from the amount of any net losses from an assignment of shares that may be set off against capital gains generated the same way.

In accordance with the provisions of Article 150-0 D 11 of the French Tax Code, any capital losses incurred over the course of a year may be deducted from the capital gains generated the same way over the same year or the following ten years.

#### *Special rules for the Plan d'Epargne en Actions ("PEA") or share savings plan*

The Company's shares are eligible for the PEA.

Under certain conditions, the PEA gives participants an entitlement:

- for the duration of the PEA, to an exemption from income tax and social contributions on the net income and net capital gains generated by the investments made within the framework of the PEA, subject to conditions, including the condition that no withdrawal is made for a period of five years as from the date of the first payment into the PEA;
- at the time of the closure of the PEA (if more than five years after the date of opening of the PEA) or of a partial withdrawal (if more than eight years after the date of opening of the PEA), to an exemption from income tax on the net gain generated since the opening of the plan (this gain will nevertheless remain subject to CSG, CRDS, the 2.2% social security contribution (increased to 3.4% for those of the products acquired as from 1 October 2011) and the 0.3% and 1.1% additional contributions, it being specified that the rates of these contributions may vary over time depending on the date on which the gain in question was obtained or recorded).

Capital losses incurred on investments in the PEA are only deductible from capital gains generated on investments made within the same framework. However, in the event of the early closure of the PEA before the end of the fifth year, or under certain conditions in the event of the closure of the PEA after the end of the fifth year when the net asset value of the plan is less than the amount of payments made into the plan since its opening (without taking into account capital losses incurred on withdrawals that did not entail the closure of the PEA), any capital losses recorded on this occasion may be deducted from those capital gains of the same kind generated outside the PEA in the same year or for the next 10 years.

#### Impôt de solidarité sur la fortune ("ISF") or wealth tax

In principle, shares held by natural persons as part of their private assets are liable to ISF, if applicable.

Rules granting partial exemption from ISF for shares held by employees and corporate officers are applicable under certain conditions, including the retention of those shares by their holders for at least six years. Any shareholders concerned by this issue are invited to consult their tax advisor to determine whether and under what conditions they might be able to benefit from these measures.

#### Inheritance and gift tax

Shares transmitted by inheritance or gift are subject to the inheritance and gift taxes applicable in France.

(b) Legal persons liable to corporate income tax

#### Dividends

In principle, dividends are included in the income liable to corporate income tax at the ordinary rate, currently 33 $\frac{1}{3}$ %, plus, where applicable, the social contributions identified in Article 235 *ter* ZC of the French Tax Code, at a rate of 3.3% of the amount of the corporate income tax exceeding EUR 763,000 per 12-month period.

However, for companies with pre-tax sales (reduced to 12 months if applicable) of less than EUR 7,630,000 and of which at least 75% of the share capital (fully paid-up) is held continuously over the course of the relevant fiscal year by natural persons or by companies which themselves meet all of these conditions, the rate of corporate income tax will be set at 15%, within the limit of EUR 38,120 of taxable profit per 12-month period (Article 219 I b of the French Tax Code). These companies are also exempt from the 3.3% social security contribution mentioned above.

Under certain conditions, legal persons holding at least 5% of the share capital of the distributing company may opt not to pay corporate income tax on their dividends (subject to the condition that the beneficiary company takes into account in its results a portion of costs and charges of the distributing company equal to 5% of the amount of the dividends), pursuant to the provisions of Articles 145 and 216 of the French Tax Code. Shareholders should note that Article 10 of the French budget law for 2011 (no. 2010-1657 of 29 December 2010) removed the ceiling limit on the taxable portion of costs and charges at the amount of expenses actually incurred for the fiscal year ended 31 December 2010 and subsequent fiscal years.

#### Capital gains and losses

##### *Ordinary rules*

In principle and subject to the following provisions, capital gains and losses generated on the disposal of Company shares are subject to corporate income tax at the ordinary rate of 33 $\frac{1}{3}$ % plus, where applicable, the 3.3% social security contribution.

Certain legal persons may benefit, under the conditions provided for by Articles 219 I b and 235 *ter* ZC of the French Tax Code, from a reduced corporate income tax rate of 15% and an exemption from the 3.3% social security contribution.

#### *Rules applicable to investment securities*

In accordance with Article 219 I a *quinquies* of the French Tax Code, the net capital gains generated on the disposal of investment securities meeting the definition given in this article and that have been held for more than two years are exempt from corporate income tax, subject to a portion of costs and charges equal to 5% of the net income from capital gains on disposals taken into account for calculating the taxable income. Shareholders should note that article 4 of the second amendment to the budget law for 2011 (Law n° 2011-1117 dated 19 September 2011) has increased the rate of this portion of costs and charges from 5% to 10% for any fiscal years opened from 1 January 2011.

For the purposes of Article 219 I a *quinquies* of the French Tax Code, investment securities include but are not limited to: (i) shares attributed to this category from an accounting point of view, (ii) shares acquired via a tender offer or exchange offer by the company initiating the offer, (iii) securities allowing the company to benefit from the tax rules applicable to parent companies as provided for in Articles 145 and 216 of the French Tax Code, on condition that the shares mentioned in (ii) and the securities mentioned in (iii) are recognised in the company's accounts under the heading of investment securities or in a special subsection, entitled "securities covered by the rules on long-term capital gains", of another balance sheet item corresponding to their accounting designation.

Net capital losses incurred on the disposal of Company shares that meet the definition given in Article 219 I a *quinquies* of the French Tax Code and that have been held for at least two years are not deductible from the disposing party's income liable for corporate income tax at the ordinary rate and, where applicable, the 3.3% social security contribution. In addition, they may not be carried over or deducted.

Shareholders should note that Article 13 of the French budget law for 2011 (no. 2010-1657 of 29 December 2010) introduced an anti-abuse mechanism whereby capital gains and losses on disposals of investment securities held for less than two years to a related company, as defined by Article 39-12 of the French Tax Code, are subject to deferred taxation under the conditions set out in Article 219 I a *septies* of the French Tax Code, which are applicable to the calculation of income for the fiscal year ended 31 December 2010 and subsequent fiscal years.

#### *26.2.10.2 Shareholders with tax residence outside France*

##### (a) Dividends

Under French law, dividends paid by a company having its registered office in France to shareholders having their tax domicile or registered office outside France are, in principle, subject to a 25% withholding tax. This tax is applied at a rate of 19% for dividends distributed to natural persons with tax residence in a Member State of the European Community other than France or in another State that is party to the Agreement on the European Economic Area and that has entered into a tax agreement with France that contains an administrative assistance clause with a view to combating tax fraud or evasion.

Shareholders who are legal persons and whose effective management base is situated in a Member State of the European Community may, where applicable, benefit from an exemption from the withholding tax under the conditions of Article 119 *ter* of the French Tax Code.

In addition, shareholders whose tax residence or effective management base is situated in a state that has an international tax agreement with France may benefit from a partial or total reduction of

the withholding tax, subject in particular to conditions concerning compliance with the procedure for the granting of benefits under the agreement.

The withholding tax is increased to 50% for dividends paid since 1 March 2010 in a non-cooperative state or territory, as defined by Article 238-0 A of the French Tax Code, with no need for an investigation into the place of the tax residence (tax domicile or registered office) of the beneficiary. However, if the beneficiary of the dividends has tax residence in a country with which France has entered into a tax agreement and can provide proof of its residence in that country, it may request the application of the provisions of that agreement. If the beneficiary has tax residence in France, the 50% withholding tax remains payable.

The withholding tax is deducted by the paying establishment at the time of the effective payment of dividends.

The dividends paid to shareholders with tax residence outside France do not suffer the abovementioned contributions.

(b) Capital gains and losses

Pursuant to Article 244 *bis* C of the French Tax Code, non-resident shareholders are, in principle, exempt from tax in France with respect to capital gains generated on the disposal of Company securities.

By way of exception and without prejudice to any more favourable provisions of applicable tax agreements, capital gains generated on the disposal of shares by persons who are not tax residents of France, as defined in Article 4-B of the French Tax Code, or whose registered office is located outside France and whose ownership of the shares is not tied to a stable establishment or fixed base in France, are taxable in France at a rate of 19% in so far as the disposing party, directly or indirectly, alone or with family members, has held more than 25% of the rights to the Company's corporate profits at any time over the course of the five years preceding the disposal.

Where the disposing party is a person domiciled, established or incorporated in a non-cooperative state or territory and irrespective of the percentage of the rights held by that person to the Company's profits, the capital gains on disposal are taxed at the higher rate of 50%.

Taxable capital gains are not subject to the above-mentioned social contributions.

(c) ISF

Non-resident shareholders are advised to consult their regular tax advisor concerning their liability to ISF due to their interests in the Company and the conditions under which they may be able to obtain an exemption from this tax in France under a tax treaty concluded by France.

(d) Inheritance and gift tax

In France, the securities of French companies acquired by inheritance or as a gift by a non-resident of France are subject to inheritance and gift tax.

France has entered into agreements with a number of countries aimed at avoiding double taxation on inheritance and gifts, under which the residents of countries that have entered into such agreements may, subject to meeting certain conditions, be exempt from inheritance and gift tax in France or obtain a tax credit in their country of residence.

Non-resident shareholders are advised to consult their regular tax advisor concerning their liability to inheritance and gift tax on their interests in the Company and the conditions under which they may be able to obtain an exemption from these taxes in France under a tax treaty concluded with France.

### 26.2.10.3 United States of America taxation

#### (a) General

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, SHAREHOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY SHAREHOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SHAREHOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE COMPANY OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) SHAREHOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

As used herein, the term “**US Shareholder**” means a beneficial owner of the Company's shares that is, for US federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to US federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for US federal income tax purposes. The US federal income tax treatment of a partner in a partnership that holds the Company's shares will depend on the status of the partner and the activities of the partnership. US Shareholders that are partnerships should consult their tax advisers concerning the US federal income tax consequences to their partners of the acquisition, ownership and disposition of the Company's shares by the partnership.

The summary below is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE COMPANY'S SHARES, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

#### (b) US tax consequences of receipt of Maurel & Prom Nigeria shares

The following is a summary of certain material US federal income tax consequences to a US Shareholder (as defined above) receiving the Company's shares pursuant to the Distribution. This summary deals only with US Shareholders of the Company's shares that hold such shares as capital assets. The discussion does not cover all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the receipt of Company shares by particular investors, and does not address state, local, foreign or other tax laws. This summary also does not address tax considerations applicable to investors that own (directly or indirectly) 10 per cent or more of the voting stock of Maurel & Prom, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the US federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that hold shares of Maurel & Prom as part of straddles, hedging transactions

or conversion transactions for US federal income tax purposes or investors whose functional currency is not the US dollar).

(i) Maurel & Prom Reduction of Capital

The Maurel & Prom reduction of capital should not itself cause a US Shareholder to recognize income, gain or loss for US federal income tax purposes.

(ii) Consequences of the Distribution

A US Shareholder that receives the Company's shares will be treated as receiving a taxable distribution from Maurel & Prom in an amount equal to the Company's shares' fair market value in US dollars. This distribution should be treated as a dividend, taxable as ordinary income, to the extent of the US Shareholder's share of current and accumulated earnings and profits of Maurel & Prom as determined for US federal income tax purposes. As discussed further below, special rules will apply to this distribution if Maurel & Prom is or has been a PFIC. In addition, and subject to the PFIC rules discussed below, if Maurel & Prom qualifies for treaty benefits under the US-France double tax treaty, a non-corporate US Shareholder meeting certain conditions (including a minimum holding period) should be taxed on the dividend amount at the same reduced rate allowed for long-term capital gains. A non-corporate US Shareholder benefiting from the preferential rate for dividends may be subject to special rules treating any loss realised on a subsequent sale of Maurel & Prom shares as a long-term capital loss to the extent of the dividend. If the amount of the distribution were to exceed Maurel & Prom's current and accumulated earnings and profits, the excess should be treated as a recovery of basis to the extent of a US Shareholder's basis in its Maurel & Prom shares and then as a capital gain. However, Maurel & Prom does not maintain calculations of its earnings and profits in accordance with US federal income tax accounting principles. US Shareholders should therefore assume that any distribution by Maurel & Prom would be made out of current or accumulated earnings and profits.

A US Shareholder would have a basis in the Company's shares received equal to their fair market value at the time of receipt determined in US dollars on the date of the receipt.

(c) US tax consequences of ownership and disposition of Maurel & Prom Nigeria shares

The following is a summary of certain material US federal income tax consequences of the ownership and disposition of the Company's shares by a US Shareholder (as defined above). This summary deals only with initial holders of the Company's shares that are US Shareholders that will hold the Company's shares as capital assets. The discussion does not cover all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of the Company's shares by particular investors, and does not address state, local, foreign or other tax laws. This summary also does not address tax considerations applicable to investors that own (directly or indirectly) 10 per cent. or more of the voting stock of the Company, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the US federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Company's shares as part of straddles, hedging transactions or conversion transactions for US federal income tax purposes or investors whose functional currency is not the US dollar).

(i) Dividends

(A) General

Subject to the PFIC rules discussed below, the gross amount of distributions paid by the Company out of current or accumulated earnings and profits (as determined for US federal income tax purposes) will generally be taxable to a US Shareholder as foreign source dividend income, and

will not be eligible for the dividends received deduction allowed to corporations. The amount of any dividend will include any amount withheld for French taxes. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the US Shareholder's basis in the Company's shares and thereafter as a capital gain.

However, the Company does not maintain calculations of its earnings and profits in accordance with US federal income tax accounting principles. US Shareholders should therefore assume that any distribution by the Company with respect to the Company's shares will constitute ordinary dividend income. US Shareholders should consult their own tax advisers with respect to the appropriate US federal income tax treatment of any distribution received from the Company.

For taxable years that begin before 2013, dividends paid by the Company will generally be taxable to a non-corporate US Shareholder at the special reduced rate normally applicable to long-term capital gains, provided the Company qualifies for the benefits of the income tax treaty between the United States and France. A US Shareholder will be eligible for this reduced rate only if it has held the Company's shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date. A US Shareholder will not be able to claim the reduced rate for any year in which the Company is treated as a PFIC. US shareholders should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to dividends on the Company's shares.

For foreign tax credit limitation purposes, distributions that are dividends for US federal income tax purposes will generally be income from sources outside the United States and will, depending on the US Shareholder's circumstances, be "passive category income" or "general category income."

#### (B) Foreign currency dividends

Dividends paid in foreign currency will be included in income in a US dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the US Shareholder, regardless of whether the foreign currency is converted into US dollars at that time. If dividends received in foreign currency are converted into US dollars on the day they are received, the US Shareholder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

French taxes withheld from dividends paid by the Company at the maximum rate permitted under the US-France double tax treaty will be creditable against a US Shareholder's US federal income tax liability, subject to applicable limitations that may vary depending on a US Shareholder's particular circumstances. Instead of claiming a credit a US Shareholder may, at its election, deduct such otherwise creditable French taxes in computing its US taxable income, subject to generally applicable limitations. US Shareholders should consult their own tax advisors to determine whether they are subject to any special rules that limit their ability to make effective use of foreign tax credits.

#### (ii) Sale or other Disposition

Subject to the PFIC rules discussed below, upon a sale or other disposition of the Company's shares, a US Shareholder generally will recognise a capital gain or loss for US federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the US Shareholder's adjusted tax basis in the Company's shares. This capital gain or loss will be long-term capital gain or loss if the US Shareholder's holding period in the Company's shares exceeds one year. However, regardless of a US Shareholder's actual holding period, any loss may be long-term capital loss to the extent the US Shareholder receives a dividend that qualifies for the reduced rate described in this section, and exceeds 10 per cent of the US Shareholder's basis in the Company's shares.

The amount realised on a sale or other disposition of the Company's shares for an amount in foreign currency will be the US dollar value of this amount on the date of sale or disposition. On the settlement date, the US Shareholder will recognise US source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the US dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of the Company's shares traded on an established securities market that are sold by a cash basis US Shareholder (or an accrual basis US Shareholder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time.

(iii) Disposition of Foreign Currency

Foreign currency received on the sale or other disposition of a Company share will have a tax basis equal to its US dollar value on the settlement date. Foreign currency that is purchased will generally have a tax basis equal to the US dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase The Company's shares or upon exchange for US dollars) will be US source ordinary income or loss.

(iv) Passive Foreign Investment Company Considerations

The Company believes that it will not be considered a "passive foreign investment company" ("PFIC") for United States federal income tax purposes. However, since PFIC status depends upon the composition of a company's income and assets and the market value of its assets (including, among others, less than 25 percent owned equity investments) from time to time, there can be no assurances that the Company will not be considered a PFIC for any taxable year. If the Company were treated as a PFIC for any taxable year during which a US Shareholder held shares, certain adverse consequences could apply to the US Shareholder.

If the Company is treated as a PFIC for any taxable year during which a US Shareholder held shares, gain recognized by such US Shareholder on a sale or other disposition of the shares would be allocated ratably over the US Shareholder's holding period for the shares. The amount allocated to the taxable year of the sale or other disposition and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, and an interest charge would be imposed on the amount allocated to such taxable year. Further, any distribution in respect of shares in excess of 125 percent of the average annual distributions on shares received by the US Shareholder during the preceding three years or the US Shareholder's holding period, whichever is shorter, would be subject to taxation as described above. Certain elections may be available (including a mark to market election) to United States persons that may mitigate the adverse consequences resulting from PFIC status.

In addition, if we were treated as PFIC in a taxable year in which we pay a dividend or the prior taxable year, the long-term capital gains rate applicable to certain dividends discussed above with respect to dividends paid to non-corporate holders would not apply.

(v) Medicare Tax

Recently enacted legislation may require certain US Holders who are individuals, estates or trusts to pay up to an additional 3.8% tax on, among other things, dividends and capital gains for taxable years beginning after December 31, 2012.

(vi) Backup Withholding and Information Reporting

Payments of dividends and other proceeds with respect to the Company's shares by a US paying agent or other US intermediary will be reported to the IRS and to the US Shareholder as may be required under applicable regulations. Backup withholding may apply to these payments if the US

Shareholder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its US federal income tax returns. Certain US Shareholders (including, among others, corporations) are not subject to backup withholding. US Shareholders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.]

#### *26.2.10.4 Other situations*

Shareholders subject to tax rules other than those outlined above should consult their regular tax advisor about the applicable tax rules.

#### 26.2.11 Admission to trading

The admission of all of the Company's shares to trading on the regulated market of NYSE Euronext in Paris (compartment B) has been requested.

The admission conditions for the Company's shares will be established in a notice issued by NYSE Euronext, to be issued no later than the first day of trading of the shares, which is expected to be 15 December 2011.

#### 26.2.12 Place of admission

As at the date of this prospectus, the Company's shares are not admitted to trading on any regulated market.

#### 26.2.13 Liquidity contract

The Company proposes to establish a liquidity contract relating to its shares on their date of admission to trading on the regulated market of NYSE Euronext in Paris. The main aim of this contract would be to reduce the volatility of the Company's shares.

#### 26.2.14 Stabilisation

Not applicable.

#### 26.2.15 Costs associated with the transaction

The legal and administrative costs to be borne by the Company in respect of all of the transactions and operations described in this prospectus are estimated at approximately EUR 1 million.

## APPENDIX A: CONCORDANCE TABLE

This prospectus has been drawn up in conformity with Annexes I and III of Commission Regulation (EC) No 809/2004 of 29 April 2004 (the "Regulation"). For the most part, the scheme followed is that of Annex I of the Regulation. This table shows, with regard to each of the headings provided for in Annex III of the Regulation, the number of the section or sections mentioning the information relating to each of these headings in this document.

<b><u>No.</u></b>	<b><u>Heading titles appearing in the Regulation</u></b>	<b><u>Section</u></b>
<b>1.</b>	<b>Persons responsible</b>	
1.1	Persons responsible for the information given in the prospectus	1.1
1.2	Declaration by those responsible for the prospectus	1.2
<b>2.</b>	<b>Risk factors</b>	4
<b>3.</b>	<b>Key information</b>	
3.1	Working capital statement	3.2.1
3.2	Capitalisation and indebtedness	3.2.2
3.3	Interest of natural and legal persons involved in the issue/offer	Not applicable
3.4	Reasons for the offer and use of proceeds	Not applicable
<b>4.</b>	<b>Information concerning the securities to be offered/admitted to trading</b>	
4.1	Description of the type and class of the securities being offered and/or admitted to trading, including the ISIN (International Security Identification Number) or other such security identification code	26.2.1
4.2	Legislation under which the securities have been created	26.2.2
4.3	Form of the securities issued	26.2.3
4.4	Currency of the securities issue	26.2.4
4.5	Description of the rights attached to the securities, including any limitations of said rights and procedures for the exercise of said rights	26.2.5
4.6	Statement of the resolutions, authorisations and approvals by virtue of which the securities have been or will be created and/or issued.	Not applicable
4.7	Expected issue date of the securities	26.2.6
4.8	Description of any restrictions on the free transferability of the securities	26.2.7
4.9	Indication of the existence of any mandatory takeover bids and/or squeeze-out and sell-out rules in relation to the securities	26.2.8
4.10	Indication of public takeover bids by third parties in respect of the issuer's	26.2.9

<b><u>No.</u></b>	<b><u>Heading titles appearing in the Regulation</u></b>	<b><u>Section</u></b>
	equity that have occurred during the previous and current fiscal years, as well as the price or exchange terms attaching to such offers and the outcome thereof	
4.11	Information on taxes withheld at source on income from the securities, and an indication as to whether the issuer assumes responsibility for such withholding at source	26.2.10
<b>5.</b>	<b>Terms and conditions of the offer</b>	
5.1	Conditions, offer statistics, expected timetable and action required to apply for the offer	26.1.5
5.1.1	<i>Conditions to which the offer is subject</i>	26.1.6
5.1.2	<i>Total amount of the issue/offer</i>	Not applicable
5.1.3	<i>Time period during which the offer will be open, and description of the application procedure</i>	Not applicable
5.1.4	<i>Revocation and suspension of the offer</i>	Not applicable
5.1.5	<i>Description of the possible reduction in subscriptions and the manner of refunding excess amounts paid by applicants</i>	Not applicable
5.1.6	<i>Minimum and/or maximum amount of application</i>	Not applicable
5.1.7	<i>Period during which an application may be withdrawn, provided that investors are allowed to withdraw their subscriptions</i>	Not applicable
5.1.8	<i>Method and time limits for paying up the securities and for delivery of the securities</i>	Not applicable
5.1.9	<i>Manner in which and date on which results of the offer are to be made public</i>	Not applicable
5.1.10	<i>Procedure for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised</i>	Not applicable
5.2	Plan of distribution and allotment	
5.2.1	<i>Various categories of potential investors to which the securities are offered</i>	Not applicable
5.2.2	<i>To the extent known to the issuer, an indication of whether major shareholders or members of the issuer's management, supervisory or administrative bodies intend to subscribe to the offer, or whether any person intends to subscribe for more than 5% of the offer</i>	Not applicable
5.2.3	<i>Pre-allotment disclosure</i>	Not applicable
5.2.4	<i>Process for notification to applicants of the amount allotted, and indication whether dealing may begin before notification is made</i>	Not applicable

<b><u>No.</u></b>	<b><u>Heading titles appearing in the Regulation</u></b>	<b><u>Section</u></b>
5.2.5	<i>Over-allotment/'green shoe' option</i>	Not applicable
5.3	Pricing	Not applicable
5.3.1	<i>Price at which the securities will be offered</i>	Not applicable
5.3.2	<i>Process for the disclosure of the offer price</i>	Not applicable
5.3.3	<i>If the issuer's equity holders have a pre-emptive purchase right and this right is restricted or withdrawn, indication of the basis for the issue price if the issue is for cash, together with the reasons for and beneficiaries of such restriction or withdrawal</i>	Not applicable
5.3.4	<i>Where there is or could be a material disparity between the public offer price and the effective cash cost to members of the administrative, management or supervisory bodies or senior management, or affiliated persons, of securities acquired by them in transactions during the past year, or which they have the right to acquire, include a comparison of the public contribution in the proposed public offer and the effective cash contributions of such persons</i>	Not applicable
5.4	Placing and underwriting	
5.4.1	<i>Name and address of the co-ordinator(s) of the global offer and of single parts of the offer, and, to the extent known to the issuer or to the offeror, of the distributors in the various countries where the offer takes place</i>	Not applicable
5.4.2	<i>Name and address of any paying agents and depository agents in each country</i>	26.1.11
5.4.3	<i>Name and address of the entities agreeing to underwrite the issue on a firm commitment basis, and name and address of the entities agreeing to place the issue without a firm commitment or under 'best efforts' arrangements; indication of the material features of the agreements, including quotas</i>	Not applicable
5.4.4	<i>When the underwriting agreement has been or will be reached</i>	Not applicable
<b>6.</b>	<b>Admission to trading and dealing arrangements</b>	
6.1	Application for admission to trading of the securities offered	26.2.11
6.2	Regulated markets or equivalent markets on which, to the knowledge of the issuer, securities of the same class as the securities to be offered or admitted to trading are already admitted to trading	26.2.12
6.3	If, simultaneously or almost simultaneously with the creation of the securities for which admission to a regulated market is being sought, securities of the same class are subscribed for or distributed privately, or if securities of other classes are created for public or private distribution, give details of the nature of such operations and of the number and characteristics of the securities to which they relate	Not applicable
6.4	Details of the entities that have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and	26.2.13

<b><u>No.</u></b>	<b><u>Heading titles appearing in the Regulation</u></b>	<b><u>Section</u></b>
	offer rates and a description of the main terms of their commitment	
6.5	Stabilisation and over-allotment option	
6.5.1	<i>The fact that stabilisation may be undertaken, that there is no assurance that it will be undertaken and that it may be stopped at any time</i>	26.2.14
6.5.2	Beginning and end of the period during which stabilisation may occur	Not applicable
6.5.3	Identity of the stabilisation manager for each relevant jurisdiction, unless this is not known at the time of publication	Not applicable
6.5.4	The fact that stabilisation transactions may result in a market price that is higher than would otherwise prevail	Not applicable
<b>7.</b>	<b>Selling securities holders</b>	
7.1	Name and business address of the person or entity offering to sell the securities, the nature of any position, office or other material relationship that the seller has had within the past three years with the issuer or any of its predecessors or affiliates	Not applicable
7.2	Number and class of securities being offered by each of the sellers	Not applicable
7.3	Lock-up agreements	26.1.3
<b>8.</b>	<b>Expense of the issue/offer</b>	
8.1	Total net proceeds of and an estimate of the total expenses of the issue/offer	26.2.15
<b>9.</b>	<b>Dilution</b>	
9.1	Amount and percentage of immediate dilution resulting from the offer	Not applicable
9.2	In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer	Not applicable
<b>10.</b>	<b>Additional information</b>	
10.1	If advisors connected with an issue are mentioned in the Securities Note, a statement of the capacity in which the advisors have acted	Not applicable
10.2	An indication of other information in the Securities Note that has been audited or reviewed by statutory auditors and where auditors have produced a report	Not applicable
10.3	Where a statement or report attributed to a person as an expert is included in the Securities Note, provide such person's name, business address, qualifications and material interest in the issuer, if any. If this statement or report has been produced at the issuer's request, a statement to the effect that such statement or report is included, in the form and context in which it is included, with the consent of the person who has authorised	Not applicable

<b><u>No.</u></b>	<b><u>Heading titles appearing in the Regulation</u></b>	<b><u>Section</u></b>
	the contents of that part of the Securities Note	
10.4	Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that, as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading  In addition, identify the source(s) of information	23

## APPENDIX B: GLOSSARY

The table below contains a list of the main technical terms, acronyms and abbreviations used in the document.

Term	Definition
"	Inch.
<b>Appraisal</b>	All operations conducted after a discovery aimed at determining the limits or extent of a hydrocarbon deposit and evaluating its reserves and productive potential.
<b>bbl (barrel)</b>	Unit of volumetric measurement for crude oil, equivalent to 159 litres (42 US gallons). One tonne of oil contains approximately 7.5 barrels.
<b>bbl/d</b>	Barrels per day.
<b>Brent</b>	Class of North Sea oil.
<b>Condensate</b>	Fractions of natural gas that exist, either in gaseous phase or in solution, in crude oil under the initial pressure and temperature conditions of the reservoir and which are recovered in liquid form in separators, on-site facilities or units.
<b>Production sharing agreement - PSA</b>	Contract entered into between a government and the company operating under a license; this contract determines all the rights and obligations of the operator, particularly the percentage of "cost oil" (allowing the operating company to recover the exploration and development expenses that it has incurred), and establishes the basis for the sharing of "profit oil" (remuneration).
<b>Drilling</b>	Drilling consists of creating a passage through the surface of the earth in order to take samples from the subsoil or extract fluids. Originally, drilling was always done vertically, but nowadays, if this is not possible, drilling may involve inclined, oriented, angled or non-specifically-targeted holes as with directional drilling.
<b>FPSO</b>	Floating Production, Storage and Offloading unit: a floating vessel combining the equipment needed for producing, processing and storing hydrocarbons and transferring them directly to a tanker at sea.
<b>B</b>	One billion (1,000,000,000) units.
<b>Associated gas</b>	Gas present in solution in oil and separated during oil extraction. Non associated gas is a natural gas which is in reservoirs that do not contain significant quantities of crude oil where the volume of oil is small and where production of such gas does not significantly affect the recovery of crude oil.
<b>Hydrocarbons</b>	Mixture of molecules mainly comprising atoms of carbon and hydrogen. Hydrocarbons may be solid, like asphalt; liquid, like crude oil; or gaseous, like natural gas. They may contain components with sulphur, nitrogen, metals etc.

Term	Definition
/d	Per day.
M	One thousand (1,000) units.
<b>License</b>	Surface area contractually assigned to an oil company (or group of companies) by the host country for a specific duration. The license gives the oil companies the exclusive right to carry out exploration work (exploration license) and/or to exploit a deposit (exploitation license).
MM	One million (1,000,000) units.
NNPC	Nigerian National Petroleum Corporation
<b>NAG (Non-associated gas)</b>	A natural gas found in reservoirs that do not contain large quantities of crude oil, where oil volume is too low and where production of the gas does not have any significant impact on recovery of crude oil.
NPDC	Nigerian Petroleum Development Company.
OML	Oil Mining License. Refers to the oil deposit exploitation contracts that give the right to exploit and sell crude oil in Nigeria.
<b>Operator</b>	Company in charge of operations at an oil field.
OPEC	Organisation of Petroleum Exporting Countries.
<b>Company share/own share</b>	Share less the partners' share.
cf	Cubic foot/feet: unit of volume used in the USA, equivalent to 28.31685 litres.
<b>Light oil</b>	Oil with an API gravity of more than 31.1°, also known as light crude.
<b>Heavy oil</b>	Oil with an API gravity of less than 10°, also known as bitumen.
PIB	Petroleum Industry Bill (draft Nigerian law on the oil industry).
<b>Pipeline</b>	Conduit for carrying fluids.
<b>Operated production</b>	Total quantity of hydrocarbons produced in all fields.
<b>Production profile</b>	Evolution, over time, of a deposit's level of production. At the start of a deposit's exploitation, production increases sharply before stabilising for a few years (production plateau), and then falls progressively.
<b>Well</b>	Name generally given to a cavity when drilling is completed or when engineers are certain that it will be productive. In administrative usage, the wells of an oil field are generally designated by a group of letters and numerals indicating their locations and the order in which they were determined.

Term	Definition
<b>Royalties</b>	In-kind oil taxes corresponding to a percentage of a field's production.
<b>Reserves</b>	Hydrocarbon reserves for estimates quantities of crude oil, condensate, and gas presumed to be commercial recoverable based on known accumulations through development projects beginning on a given date and in the future, depending on a set of defined conditions.
<b>P1 (proved) reserves</b>	Gas and oil reserves that, according to geoscience and engineering data, may be considered with reasonable certainty as commercially recoverable, from a given date forward, based on known reserves, using current technology and under current economic conditions and regulations.
<b>P2 (probable) reserves</b>	Gas and oil reserves are additional reserves that according to geoscience and engineering data, are less likely to be recovered than proved reserves (P1) but more likely to be recovered than possible reserves (P3).
<b>P3 (possible) reserves</b>	Hydrocarbon reserves that constitutes additional gas and oil reserves that according to geoscience and engineering data, are less likely to be recovered than probable reserves (P2).
<b>Contingent resources</b>	Quantities of hydrocarbons estimated at a given date as being potentially recoverable from known accumulations, but for which projects are not yet regarded as sufficiently mature for commercial development due to one or more risk factors.
<b>1C contingent resources (low estimate)</b>	Contingent resources that are considered to be a conservative estimate of the quantity that will actually be recovered from the accumulation by a project.
<b>2C contingent resources (best estimate)</b>	Contingent resources that are considered to be the best estimate of the quantity that will actually be recovered from the accumulation by a project.
<b>3C contingent resources (high estimate)</b>	Contingent resources that are considered to be an optimistic estimate of the quantity that will actually be recovered from the accumulation by a project.
<b>2D/3D seismic survey</b>	Geophysical surveying method consisting of sending sound waves into the subsoil and recording their propagation, thus making it possible to obtain information on the structure of the subsoil. May be in two or three dimensions.

**APPENDIX C: COMPETENT PERSON'S REPORT ON OIL MINING LICENSES 4, 38  
AND 41**

**COMPETENT PERSON'S REPORT  
OML 4, OML 38 AND OML 41, NIGERIA**

**Prepared for**

**ETABLISSEMENTS MAUREL & PROM and MAUREL & PROM NIGERIA**

**1<sup>st</sup> NOVEMBER, 2011**

Where a copy of this Competent Person's Report is available in any language other than English, the original English language version is to be considered as the Official Version

*[www.gaffney-cline.com](http://www.gaffney-cline.com)*

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## **Appendices**

- I. Glossary
- II. SPE PRMS Definitions
- III. Production and Cost Forecasts

**TG/sf/EE025820**

**1<sup>st</sup> November, 2011**

The Directors,  
**Etablissements Maurel & Prom SA,**  
12, rue Volney,  
75002 Paris,  
France

The Directors  
**Maurel & Prom Nigeria,**  
12, rue Volney,  
75002 Paris,  
France

Dear Sirs,

## **COMPETENT PERSON'S REPORT**

### **INTRODUCTION**

In accordance with the instructions of Etablissements Maurel & Prom (Maurel & Prom or the Company), Gaffney, Cline & Associates Ltd (GCA) has reviewed and audited the assets in which the Company holds a 20.25% interest through its wholly-owned subsidiary Maurel & Prom Nigeria (MPN, together with the Company, the Companies). MPN owns 45% of the share capital of Seplat, which holds a 45% working interest in and operates OML 4, OML 38 and OML 41 in the Niger Delta region of Nigeria. The Effective Date of this CPR is 30<sup>th</sup> June, 2011.

This Competent Person's Report (CPR) is prepared for the purpose of assisting Maurel & Prom in its application for a listing of MPN on the regulated market of NYSE Euronext Paris. In general, GCA has followed the requirements laid down under Committee of European Securities Regulators document CESR/05-054b, dated January, 2005, and European Securities and Markets Authority's document ESMA/2011/81 dated 23<sup>rd</sup> March 2011<sup>1,2</sup>.

Seplat is a consortium that comprises, through their affiliates, the following three companies: Platform Petroleum Limited (Platform) (22%), Shebah Exploration & Production Company Limited (Shebah) (33%) and Maurel & Prom (45%). Seplat operates the three OMLs with a working interest of 45%, the remaining 55% is held by the Nigerian Petroleum Development Company (NPDC). Accordingly, MPN owns effectively a 20.25% working interest in the permits. The producing licenses expire in July, 2019.

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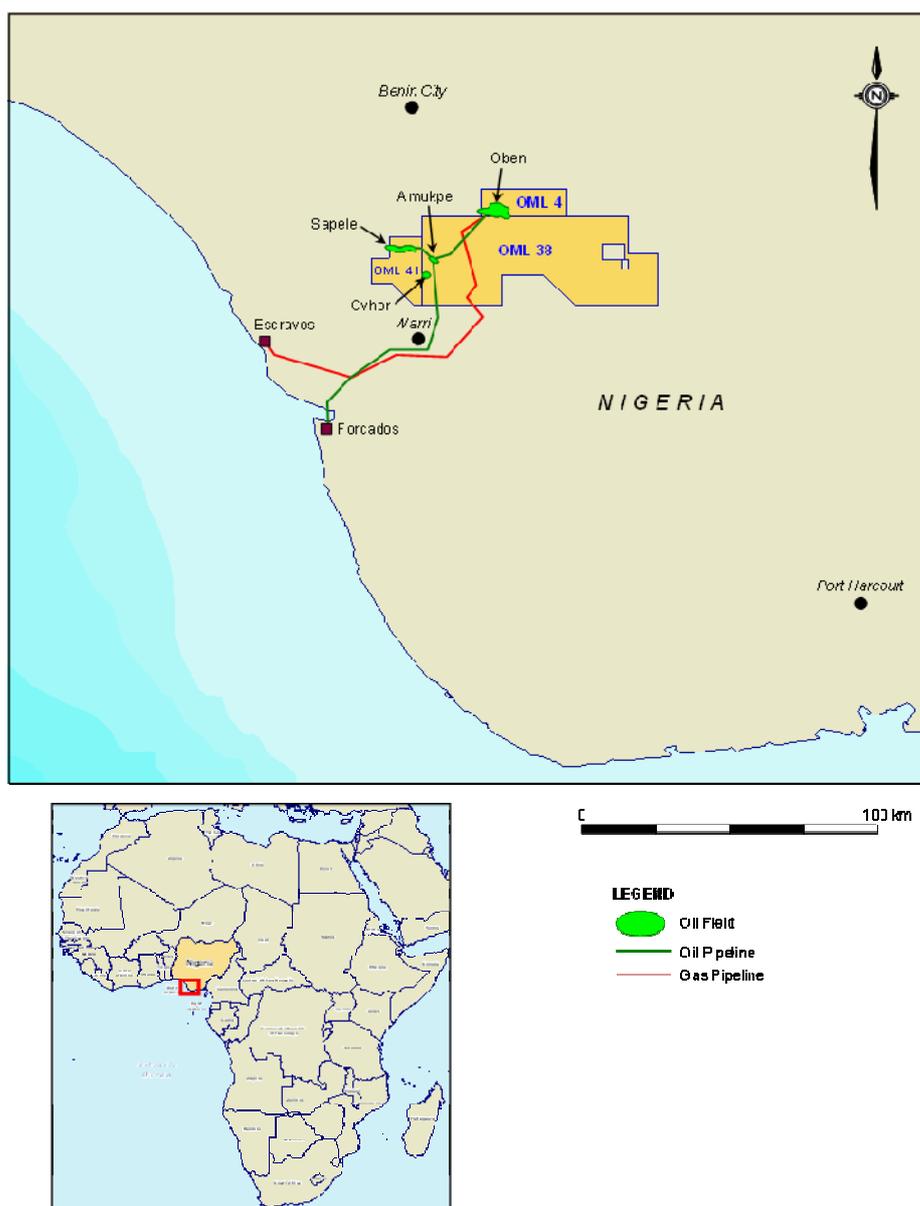
<sup>1</sup> The ESMA document has not been adopted at this stage as recommendations under Article 16 of the European Securities and Market Authority regulation

<sup>2</sup> For the purposes of this CPR, the ESMA recommendations have been followed except for the presentation of a valuation, which has not been included at the request of Companies

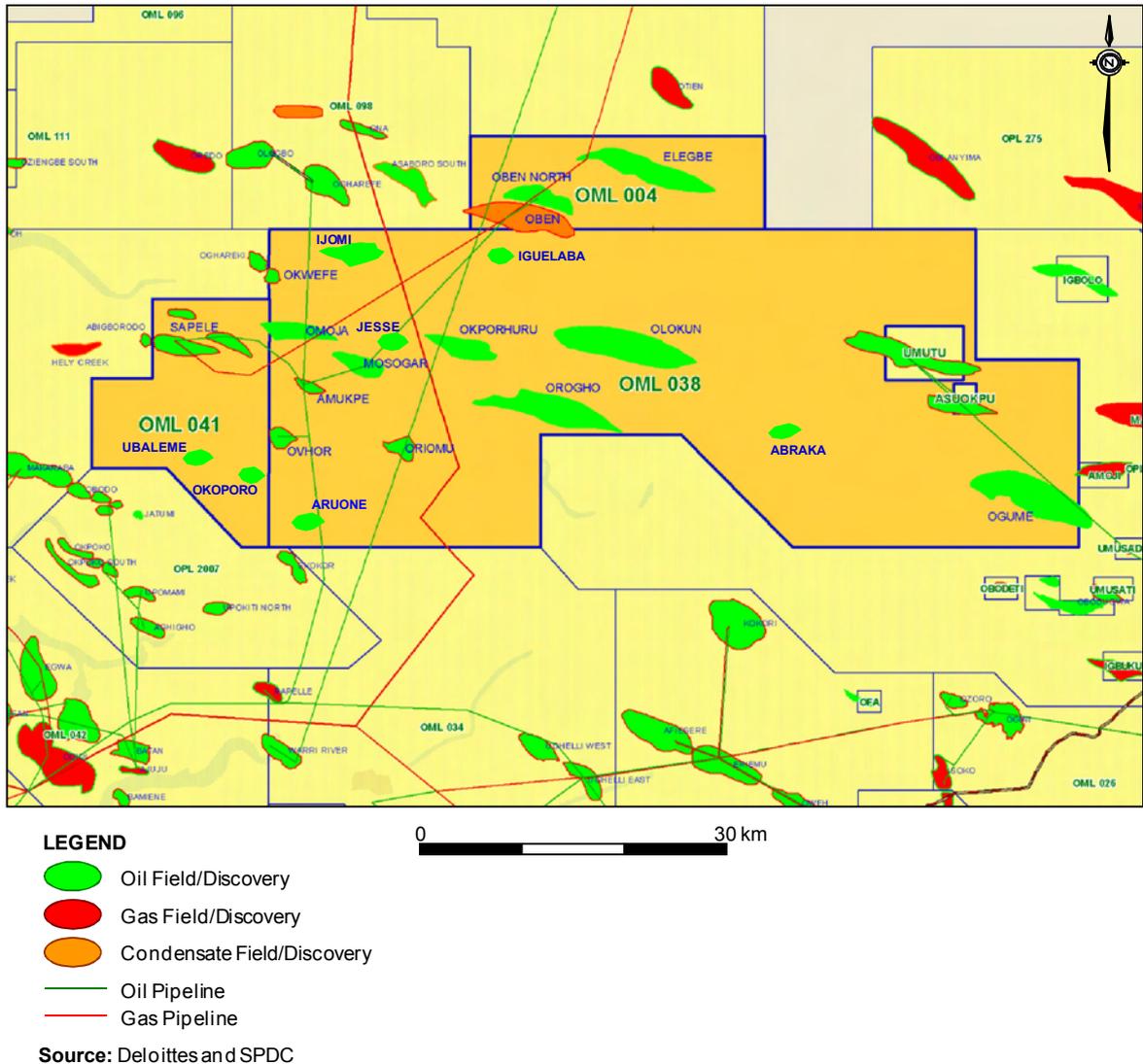
GCA has reviewed the producing oil fields: Oben, Ovhor, Amukpe and Sapele, and four discoveries that were made by Shell Petroleum Development Company (SPDC), the previous operator. These discoveries, Okporhuru, Mosogar, Ubaleme and Okoporo, have been analysed by Seplat based on the information acquired from SPDC. GCA has attributed oil, gas and condensate Reserves to the four producing fields and Contingent Resources to the four discoveries and to some of the undeveloped reservoirs in the producing fields. GCA understands there are a number of other discoveries made by SPDC on the three licenses but GCA has been requested to not include these in its review.

The OML licenses are located onshore in the Niger Delta region and are situated adjacent to each other (Figure 0.1). The OMLs are located in the delta region. Figure 0.2 shows the licenses, producing fields and discoveries.

**FIGURE 0.1**  
**LOCATION MAP**



**FIGURE 0.2**  
**LICENSE AREAS**



GCA has undertaken a site visit to inspect the field facilities as part of this review, and GCA’s observations and findings are included in this report. In addition, GCA has visited Seplat’s offices in Lagos, Nigeria, to review work being undertaken on some of the discoveries and for discussions with Seplat technical personnel.

The Companies have made available to GCA a data set of technical information including geological, geophysical, and engineering data and reports together with financial data and the fiscal terms applicable to the OMLs under review. In carrying out this assessment, GCA has relied on the accuracy and completeness of this information supplied by the Companies.

The Reserves and Contingent Resources reported herein are in accordance with the Petroleum Resources Management System published by the Society of Petroleum Engineers/World Petroleum Council/American Association of Petroleum Geologists/Society of Petroleum Evaluation Engineers (SPE/WPC/AAPG/SPEE) in

March, 2007 (“SPE PRMS”). See Appendix II, for an abbreviated version.

Reserves are those quantities of petroleum that are 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 level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by development and production status. All categories of Reserve volumes must be determined within the context of an economic limit test (pre-tax and exclusive of accumulated depreciation amounts).

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 evident 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 categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by their economic status.

It must be understood that any determination of Reserves volumes, particularly involving continuing field development, will be subject to significant variations over short periods of time as new information becomes available and perceptions change.

GCA is an independent energy consultancy specialising in petroleum asset evaluation and economic analysis. In the preparation of this report, GCA has maintained, and continues to maintain, a strict consultant-client relationship with Maurel & Prom. The management and staff of GCA have been, and continue to be, independent of Maurel & Prom in the services they provide to the Company including the provision of the opinion expressed in this assessment. Furthermore, the management and staff of GCA have no interest in any assets or share capital of the Companies or in the promotion of the Company.

This report has been prepared for the Companies and must only be used for the purposes for which it was intended.

Industry Standard terms and abbreviations are contained in the attached Glossary (Appendix I), some or all of which may have been used in this report.

## **EXECUTIVE SUMMARY**

The OMLs 4, 38 and 41, in which MPN holds a 20.25% interest, comprise four producing oil fields being redeveloped by Seplat: Oben, Ovhor, Sapele and Amukpe. GCA has evaluated the Reserves and Contingent Resources associated with these four fields as at 30<sup>th</sup> June, 2011. There are a number of undeveloped discoveries made by SPDC that are being evaluated by Seplat for further appraisal and development, of which GCA has audited the Contingent Resources for four of them: Okporhuru, Mosogar, Ubaleme and Okoporo.

OMLs 4, 38 and 41 were awarded to SPDC, Total E&P Nigeria Limited and Nigerian AGIP Oil Company Limited in 1960 for OML 4 and 1962 for OMLs 38 and 41, and the licenses were renewed in July, 1989 under a 30 year term, expiring in July, 2019. These licenses were assigned to Seplat on 30<sup>th</sup> July, 2010 under the same terms

(Table 0.1). The 1969 Petroleum Act makes provisions for the right of operators to extend a license, provided that the obligations and tax payments have been fulfilled. The Companies have provided a letter to GCA confirming Seplat's intent to apply for an extension to the three licenses, and has also provided evidence of precedents set by other operators. GCA accepts that, in all likelihood, Seplat will be well positioned as an indigenous company to be granted an extension. GCA has therefore assumed that a fifteen year extension will be granted, i.e. the Reserves for the four fields are truncated at 1<sup>st</sup> July, 2034. Any unrecovered volumes beyond that date or beyond the economic limit of the oil production are included as Contingent Resources.

**TABLE 0.1**

**LICENSE SUMMARY**

Block	Operator	Maurel & Prom WI (%)	Area km <sup>2</sup>	Expiration Date
OML 4	Seplat	20.25	267	1 <sup>st</sup> July, 2019
OML 38	Seplat	20.25	2,094	1 <sup>st</sup> July, 2019
OML 41	Seplat	20.25	291	1 <sup>st</sup> July, 2019

During June, 2011 the total oil production from the four producing oil fields, Oben, Ovhor, Sapele and Amukpe, was about 39,500 bopd. This represents a significant increase on the rates achieved by SPDC prior to the acquisition by Seplat on 30<sup>th</sup> July, 2010. It is expected that additional production improvements will be achieved with Seplat's planned drilling and workover programme and that rates in excess of 50,000 bopd should be achievable.

The Proved (1P), Proved plus Probable (2P) and Proved plus Probable plus Possible (3P) oil plus condensate and gas Reserves as at 30<sup>th</sup> June, 2011 are summarised Gross by field and OML in Table 0.2 and by Maurel & Prom's 20.25% WI in Table 0.3.

**TABLE 0.2**

**GROSS OIL, GAS AND CONDENSATE RESERVES  
AS AT 30<sup>th</sup> JUNE, 2011**

Block	Field	Gross Field Reserves					
		Oil and Condensate (MMstb)			Gas (Bscf)		
		Proved	Proved plus Probable	Proved plus Probable plus Possible	Proved	Proved plus Probable	Proved plus Probable plus Possible
OML 4	Oben	14.84	70.92	86.02	118.77	814.32	867.87
OML 38	Amukpe	0.41	0.41	0.64	0.55	0.55	0.85
OML 38	Ovhor <sup>1</sup>	16.33	29.88	39.41	1.37	3.17	3.93
OML 41	Ovhor <sup>1</sup>	16.33	29.88	39.41	1.37	3.17	3.93
OML 41	Sapele	9.24	21.61	33.98	30.40	80.58	104.67
<b>Total</b>		<b>57.15</b>	<b>152.70</b>	<b>199.46</b>	<b>152.46</b>	<b>901.79</b>	<b>981.25</b>

**Notes:**

- Ovhor is assumed to be 50% in OML 38 and 50% in OML 41.

2. Gas Reserves assessed up to the economic limit of the oil.

**TABLE 0.3**

**MPN 20.25% WORKING INTEREST OIL, GAS AND CONDENSATE RESERVES  
AS AT 30<sup>th</sup> JUNE, 2011**

Block	Field	MPN 20.25% Working Interest Reserves					
		Oil and Condensate (MMstb)			Gas (Bscf)		
		Proved	Proved plus Probable	Proved plus Probable plus Possible	Proved	Proved plus Probable	Proved plus Probable plus Possible
OML 4	Oben	3.01	14.36	17.42	24.05	164.90	175.74
OML 38	Amukpe	0.08	0.08	0.13	0.11	0.11	0.17
OML 38	Ovhor <sup>1</sup>	3.31	6.05	7.98	0.28	0.64	0.80
OML 41	Ovhor <sup>1</sup>	3.31	6.05	7.98	0.28	0.64	0.80
OML 41	Sapele	1.87	4.38	6.88	6.16	16.32	21.20
<b>Total</b>		<b>11.58</b>	<b>30.92</b>	<b>40.39</b>	<b>30.88</b>	<b>182.61</b>	<b>198.71</b>

**Notes:**

1. Ovhor is assumed to be 50% in OML 38 and 50% in OML 41.
2. Gas Reserves assessed up to the economic limit of the oil.
3. Before Royalties.

The Contingent Resources associated with the producing fields and discoveries in OML 4, OML 38 and OML 41 as at 30<sup>th</sup> June, 2011 are summarised Gross and by MPN 20.25% WI in Tables 0.4 and 0.5 respectively.

**TABLE 0.4**

**GROSS OIL, GAS AND CONDENSATE CONTINGENT RESOURCES  
AS AT 30<sup>th</sup> JUNE, 2011**

Block	Field/ Discovery	Gross Contingent Resources					
		Oil and Condensate (MMBbl)			Gas (Bscf)		
		1C	2C	3C	1C	2C	3C
<b>Producing Fields</b>							
OML 4	Oben	35.55	52.13	65.49	453.74	644.86	715.11
OML 38	Amukpe	2.61	2.98	3.34	67.31	74.16	81.02
OML 38	Ovhor <sup>1</sup>	2.06	2.94	3.53	0.13	0.20	0.24
OML 41	Ovhor <sup>1</sup>	2.06	2.94	3.53	0.13	0.20	0.24
OML 41	Sapele	45.23	77.33	77.19	73.54	102.38	98.98
<b>Discoveries</b>							
OML 38	Mosogar	10.33	57.72	123.81	NE	NE	NE
OML 38	Okporhuru	7.00	22.12	67.65	NE	NE	NE
OML 41	Ubaleme	3.83	8.17	14.04	NE	NE	NE
OML 41	Okoporo	25.04	53.42	91.82	NE	NE	NE
<b>Total</b>		<b>133.71</b>	<b>279.75</b>	<b>450.40</b>	<b>594.85</b>	<b>821.8</b>	<b>895.59</b>

**Notes:**

1. Ovhor is assumed to be 50% in OML 38 and 50% in OML 41.
2. Gas Contingent Resources for the producing fields include any gas not produced by the oil economic limit.
3. NE not estimated.

**TABLE 0.5**

**MPN 20.25% WORKING INTEREST OIL, GAS AND CONDENSATE CONTINGENT RESOURCES AS AT 30<sup>th</sup> JUNE, 2011**

Block	Field	MPN 20.25% Working Interest Contingent Resources					
		Oil and Condensate (MMBbl)			Gas (Bscf)		
		1C	2C	3C	1C	2C	3C
<b>Producing Fields</b>							
OML 4	Oben	7.20	10.56	13.26	91.88	130.58	144.81
OML 38	Amukpe	0.53	0.60	0.68	13.63	15.02	16.41
OML 38	Ovhor <sup>1</sup>	0.42	0.60	0.71	0.03	0.04	0.05
OML 41	Ovhor <sup>1</sup>	0.42	0.60	0.71	0.03	0.04	0.05
OML 41	Sapele	9.16	15.66	15.63	14.89	20.73	20.04
<b>Discoveries</b>							
OML 38	Mosogar	2.09	11.69	25.07	NE	NE	NE
OML 38	Okporhuru	1.42	4.48	13.70	NE	NE	NE
OML 41	Ubaleme	0.78	1.65	2.84	NE	NE	NE
OML 41	Okoporo	5.07	10.82	18.59	NE	NE	NE
<b>Total</b>		<b>27.08</b>	<b>56.65</b>	<b>91.21</b>	<b>120.46</b>	<b>166.41</b>	<b>181.36</b>

**Notes:**

1. Ovhor is assumed to be 50% in OML 38 and 50% in OML 41.
2. Gas Contingent Resources for the producing fields include any gas not produced by the oil economic limit.
3. Before Royalties.
4. NE not estimated.

GCA has inspected the facilities at the Oben, Amukpe and Sapele flowstations, and Sapele gas plant. The facilities appear to be functional as initially designed and should be capable of producing at their original design capacity. There is only limited evidence of any environmental damage, and no visible 'out of specification' equipment. Each flowstation has an established reporting and management structure, and adequate HSE monitoring and reporting. There are adequate levels of safety and fire fighting equipment available. Access roads are generally in good condition.

**DISCUSSION**

**1. DRILLING AND DEVELOPMENT PLANS**

Seplat has acquired one drilling rig, Deutag 41, on a two year contract and has a farm in agreement for the Deutag T57 unit, which is scheduled to drill wells on the two discoveries, Okporhuru and Okoporo. Seplat is also planning to acquire two additional rigs in 2012 with up to four rigs operational by the middle of the year. The rig programme will commence with workovers on four Oben wells and appraisal drilling on the Okporhuru and Okoporo discoveries. There are also plans for drilling water disposal wells in 2012, infill drilling on Ovhor and workovers on Sapele. Pending the results of ongoing studies by Seplat, there are plans for further workover and infill drilling activities in Oben, Ovhor and Sapele. GCA is not aware of any further well work planned on Amukpe.

In addition to the above mentioned rig activities, Seplat is also planning appraisal drilling and well recompletions on other field discoveries, including Mosogar.

## **2. AREA OVERVIEW/REGIONAL SETTING**

### **2.1 Regional Geology**

The Niger Delta is a prolific, oil and gas prone sedimentary basin that includes the onshore, margin and deep water areas. The onshore part of the basin is divided into several different depositional fairways that are characterised by slightly different geology: Northern Depo-belt; Greater Ughelli Depo-belt; Central Swamp Depo-belt; and Coastal Swamp Depo-belt. The three licenses are located in the Central and Coastal Swamp regions.

The Niger Delta Basin has a world class petroleum system that extends from the onshore delta across the continental shelf and into the deep water marine environment. The system is comprised of mature source rocks, high quality reservoirs and efficient migration pathways along high permeability carrier beds and fault networks. Onshore, the primary hydrocarbon trapping mechanism is structural dip closure formed by extensional growth faulting.

### **2.2 Reservoir Geology**

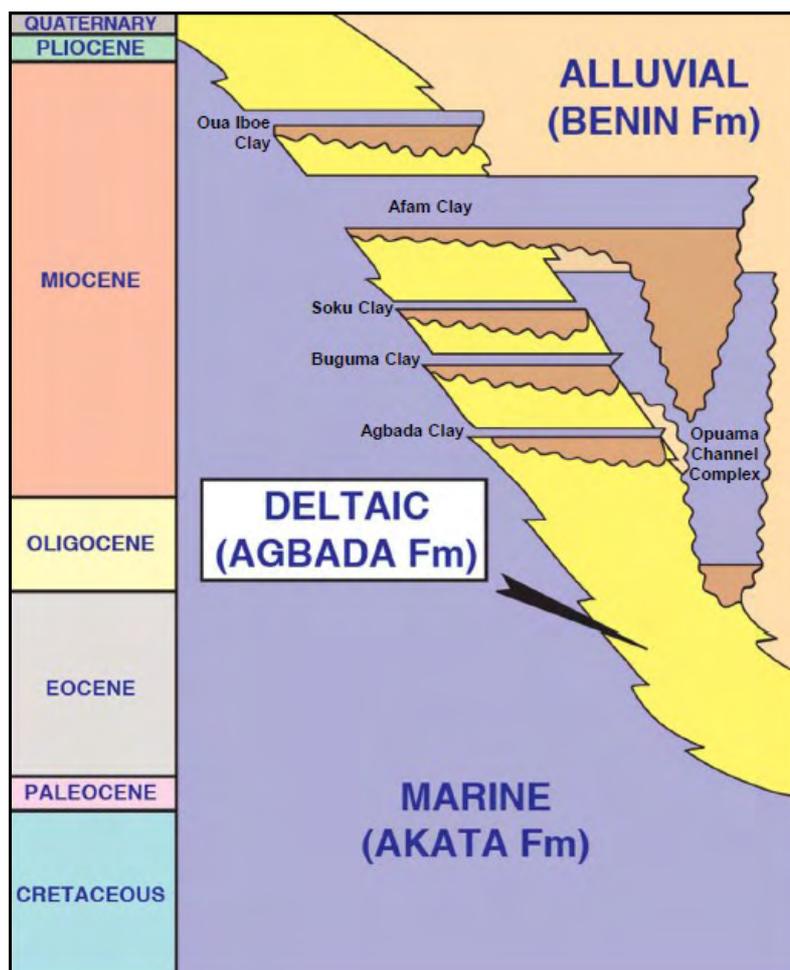
Oil and gas has been discovered in the Oligocene through Miocene aged clastics (Figure 2.1). The Akata formation (Cretaceous – Miocene) is composed of marine shales and is the main source rock. It is overlain by the Agbada formation (Eocene – Miocene) which contains the main reservoir units. The Agbada consists of interbedded sands and shales with many of the younger sands being mainly unconsolidated. The Agbada is overlain by the continental Benin formation which is composed of sand units with little petroleum potential.

The hydrocarbon bearing zones are ubiquitously stacked sandstones. A 'zone' is a geologic section of variable thickness comprised of interbedded sandstones and shales that is generally correlatable across the fields. The zones range from 50 ft to over 100 ft in thickness. Within each zone, there are one or more individual sand units with sand thicknesses ranging from 3 ft to 100 ft. They are mostly oil-bearing but there are some non associated gas (NAG) zones and some mixed oil-gas zones. Fluid contacts vary between the zones and across fault blocks. A reservoir zone can consist of an individual sand or several stacked sands.

The reservoir quality of the sandstones is good to very good with porosities often above 20% and typical hydrocarbon saturations from 70% to 90%. Permeabilities can range from several hundred to thousands of mD.

**FIGURE 2.1**

**NIGER DELTA STRATIGRAPHIC SEQUENCE**



Source: Seplat

**3. METHODOLOGY FOR ESTIMATING RESERVES AND CONTINGENT RESOURCES**

**3.1 Reserves**

GCA has performed its assessment of oil, gas and condensate Reserves for the four producing fields, Oben, Ovhor, Amukpe and Sapele, based on an evaluation of the production performance and an audit of the volumetric estimates, maps and other data provided. There are a large number of oil and gas bearing reservoirs across the four fields. Many of these are partially or largely depleted; others are undeveloped. Oil quality ranges from moderately heavy oil to light oil. A rigorous Reserves assessment would require considerably more information than is currently available and there hence remains a large degree of uncertainty in the total resource potential. GCA's estimates of oil and gas in place are largely based on the mapping work originally performed by Shell and subsequently updated by Seplat. Remaining recoverable volumes are estimated by applying a range of recovery factors to these reservoirs and taking into consideration the historical production and performance to date. Reserves are largely performance based, but also controlled by volumetric estimates.

GCA has made its attribution of Reserves so that Proved Developed (PD) Reserves are assigned to those reservoir units that were completed for production as at 30<sup>th</sup> June, 2011. Proved Undeveloped (PUD) Reserves are attributed to any additional reservoirs that have previously been on production and are scheduled for development during 2011/2012 through well workovers or new wells. Probable Reserves are assigned to wells or reservoir units that are identified by Seplat to contain additional resource potential and that are included in Seplat's five year development plan.

Forecasts of production, capital expenditure (CAPEX) and operating expenditure (OPEX) based on actual data provided form the basis of the 1P, 2P and 3P Reserves estimates. The Reserves have been attributed on the basis of an economic limit test, and within the context of the terms of the production licenses, the commitment of the partners to the development plan and other commercial, technical and legal considerations. As stated in the Executive Summary, GCA has assumed that a fifteen year extension will be granted to the license and the Reserves are truncated at 1<sup>st</sup> July, 2034. Any unrecovered volumes beyond that date or beyond the economic limit of the oil production are included as Contingent Resources.

### **3.2 Contingent Resources**

For the remaining reservoir units within the four fields that have not been attributed Reserves, GCA has attributed Contingent Resources, provided GCA considers that they have not already been depleted and are demonstrated by well logs and other data to contain potentially commercial hydrocarbons.

The Companies have presented to GCA Seplat's resource assessment for the four field discoveries: Okporhuru and Mosogar in OML 38 and, Ubaleme and Okoporo in OML 41. There have been limited new data acquired on any of these discoveries since the assets were assigned to Seplat and Seplat's work has generally entailed a reassessment of the SPDC volume estimates based on the existing data and some remapping. GCA has audited the data and Seplat's methodology to ensure consistency with the PRMS guidelines. For Ubaleme and Okoporo, no range of resources was provided and GCA has estimated the range on the basis of the data provided.

Section 5 discusses in more detail GCA's assessment of Contingent Resources for the four discoveries.

## **4. ASSET SUMMARY PRODUCING FIELDS**

Production commenced in May, 1972 from Amukpe, followed by Sapele in August, 1972, Oben in April, 1974 and Ovhor in November, 1993. Production from the four fields peaked in 1978 at about 58,000 bopd. SPDC had made a number of other discoveries on the three licenses, but these were never developed. SPDC also encountered security and pipeline related problems that discouraged any incentive to realise the full potential from the block. In the latter years, SPDC did not invest the necessary resources of expenditures to maintain oil production other than to fulfil its domestic gas obligations.

Figure 4.1 shows the historical oil, gas and water production, and how oil production levels have increased since the licenses were assigned to Seplat, reaching 39,500 bopd in June, 2011. Previously shut in wells have been progressively returned to production. In addition, Seplat has plans to perform rig workovers on a number of shut in wells and to drill new infill wells that are expected to take oil production to over 55,000 bopd.

The oil production from the OMLs 4, 38 and 41 is passed through a LACT (Lease Automatic Custody Transfer) unit, which should reliably measure the volumes of oil and any associated water being transferred. This oil is then comingled with production from other SPDC operated fields and piped to the Forcados terminal. GCA understands that the SPDC production is not metered and the volumes are estimated on the basis of well tests and then back-allocated from the total production at the terminal. SPDC is allocating a lower volume to Seplat on the basis of its own allocation procedure. As a result of these lower allocations, Seplat is lifting less oil at the terminal than is being metered at the fields. This allocation issue largely explains the differences between the oil production reported in this CPR and the allocated crude recognised to Seplat by SPDC at the Forcados terminal as described in the Prospectus. The field and well production data reported to GCA by Seplat are based on individual well tests and a back allocation of the metered production, which should give a reliably accurate measure of actual production.

GCA is confident that the field production currently reported is reliable as a basis for estimating Reserves and future production. However, as the LACT unit was only installed during 2011 and commissioned on 1<sup>st</sup> November, 2011, there is the possibility that the allocated historical oil production may be inaccurate.

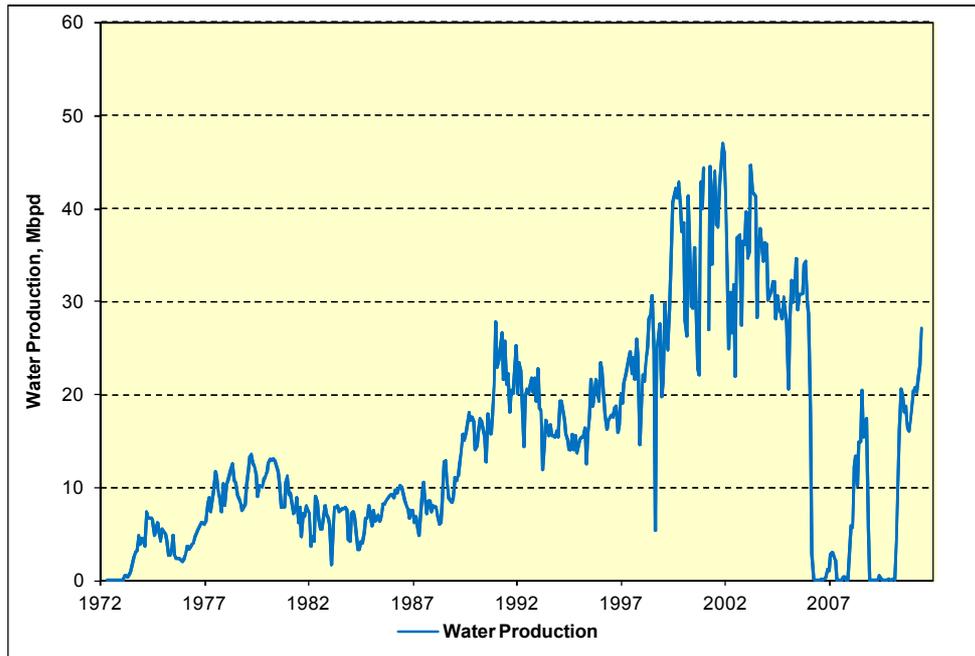
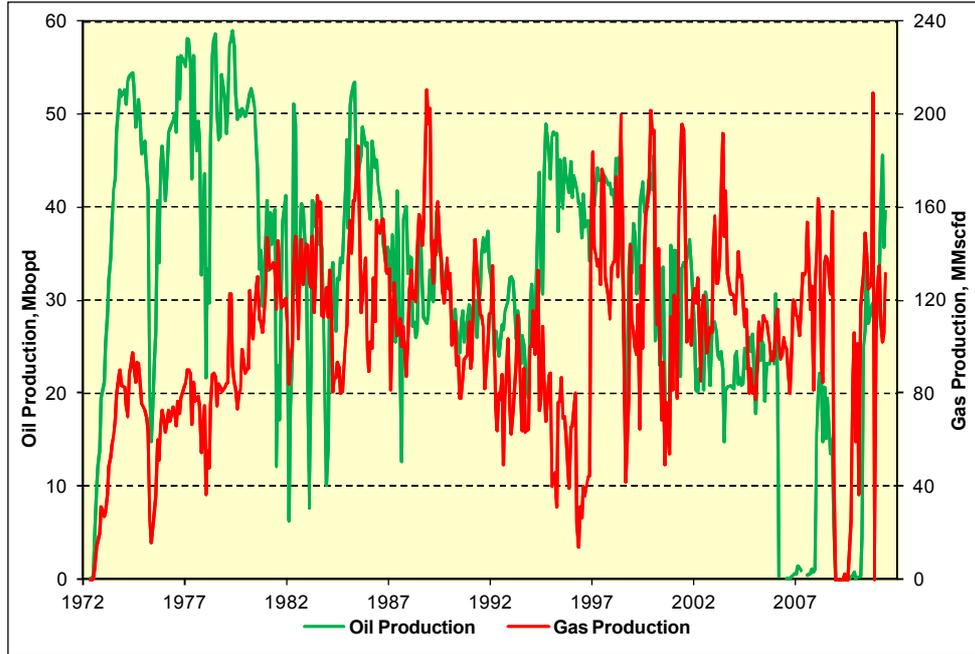
GCA understands that Seplat is disputing the production allocation with SPDC. GCA cannot comment on how this may be resolved, or its impact on future production allocation to the Seplat fields, but has assumed in its assessment of Reserves and future production that the production figures reported by Seplat are accurate and reliable.

#### **4.1 OML 4**

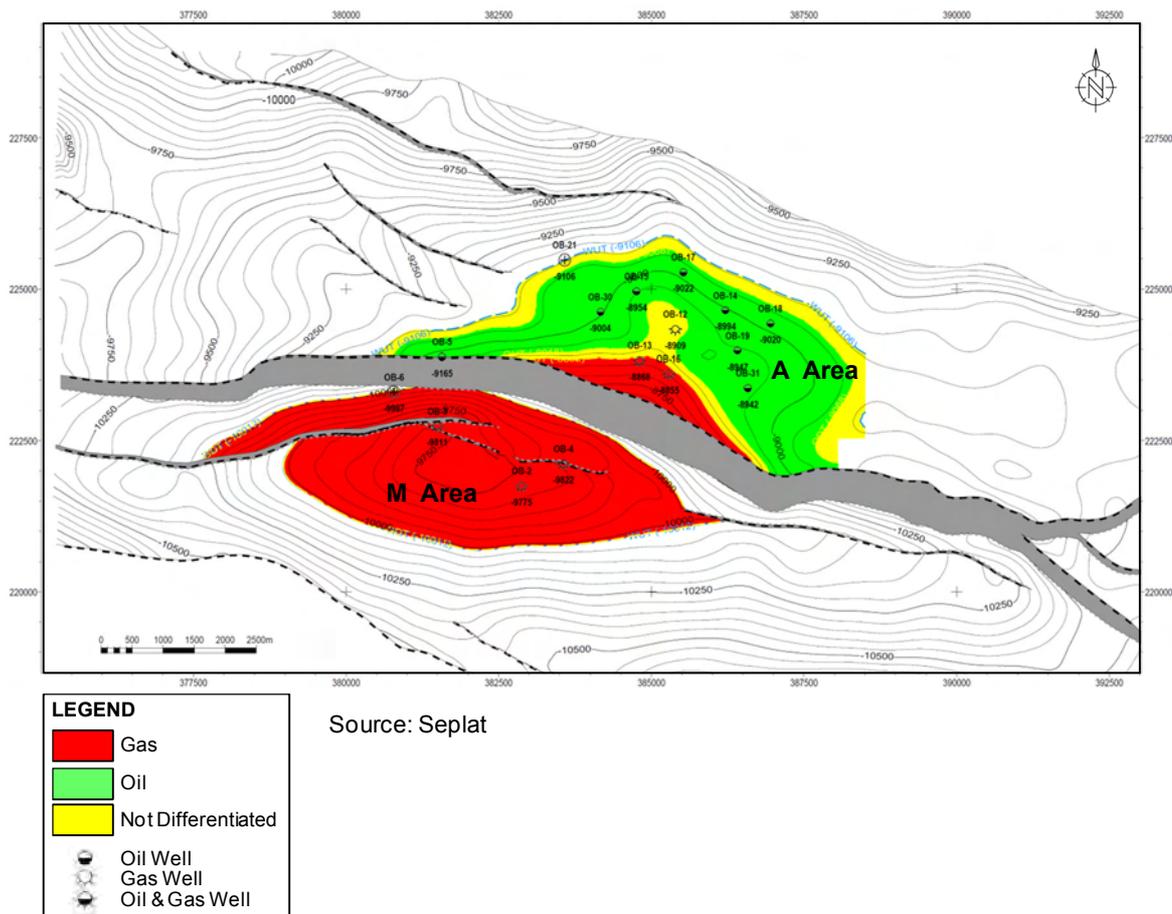
OML 4 contains the developed field, Oben. OML 4 covers some 267 km<sup>2</sup> and was originally awarded to SPDC in 1960. The licence was renewed in 1989 for a further 30 years with expiry on 1<sup>st</sup> July, 2019 and was assigned to Seplat on 30<sup>th</sup> July, 2010. The current infrastructure consists of a flowstation at Oben with a quoted 60,000 bpd capacity and an oil pipeline infrastructure to the Amukpe manifold, as well as a gas plant at Oben with a NAG capacity of 90 MMscfd, with delivery to the Nigerian gas network. Oil export from the Oben flowstation is via the Oben-Amukpe pipeline to the Amukpe manifold and on to Forcados Terminal via the Amukpe-Rapele and Rapele-Forcados trunk lines.

3D seismic data were acquired over the field in 1998. There is a main growth fault across the field that divides it into a northern A area and central M area (Figure 4.2). Oil has been produced from about 17 reservoirs from the A area down to zone H and in the M area down to zone F. Currently, eleven of these reservoirs have been returned to production.

**FIGURE 4.1**  
**PRODUCTION HISTORY**  
**OMLs 4, 38 AND 41**



**FIGURE 4.2**  
**OBEN STRUCTURE MAP**  
**G4000 RESERVOIR**



**Note:**

“Not differentiated” is volume above highest logged oil, which could be oil or gas, or below lowest logged oil that could be oil or water.

The reservoirs at Oben are shoreface, estuarine fills and sand sheets that appear to be related to low energy, wave-dominated shorefaces with tidal influence. Permeability ranges from 300 to 2,000 mD; porosity from 20% to 27%; NTG from 75% to 92%; and, water saturation from 11% to 41%.

The Oben field commenced production in April, 1974 and production peaked at just under 40 Mbopd in May, 1985. Cumulative oil production to 30<sup>th</sup> June, 2011 was 190 MMstb. Oben production was shut in on 16<sup>th</sup> April, 2011 owing to a pipeline incident and was reinstated during May. At the end of June, 2011, the Oben field was producing about 4,800 bopd, compared with about 2,300 bopd at the end of 2010. Total Oben production for the first six months of 2011 is reported as 680 Mstb.

NAG is produced from wells Oben 26T and 27T. During June, 2011 NAG and condensate production averaged about 92 MMscfd and 358 bopd respectively.

Workovers and recompletions are planned and budgeted for the second half of 2011 and 2012 on wells Oben 8, 15, 20 and 31.

Seplat has identified a number of additional workover opportunities on Oben and the Companies have provided to GCA estimates of recoverable oil associated with each of them.

The Companies have also presented a summary assessment of four new infill wells in Oben that are planned to be drilled, with additional resource potential.

The Companies have advised GCA that Seplat plans to increase the gas handling capacity at Oben from 90 MMscfd to 135 MMscfd by 2014.

#### **4.1.1 Resource Estimates OML 4**

The forecasts of oil, gas and condensate up to the economic limit of the oil at the Proved and Proved plus Probable levels for OML 4 are presented in Appendix III.1. The gas volumes represent solution gas, gas cap and NAG with a 10% deduction to allow for any fuel requirements, shrinkage and flare. At the Proved plus Probable category, the Oben gas production averages about 85 MMscfd with sales of about 77 MMscfd. The condensate volumes are estimated based on a current producing condensate gas ratio of 4.1 Bbl/MMscf. Gas and condensate Reserves are only estimated up until the economic limit of the oil production.

#### **4.2 OML 38**

OML 38 contains two producing fields: Amukpe and Ovhor and covers some 2,094 km<sup>2</sup>. The license was originally awarded to SPDC in 1962 and renewed in 1989 for a further 30 years with expiry on 1<sup>st</sup> July, 2019. The license was assigned to Seplat on 30<sup>th</sup> July, 2010.

The current infrastructure is in the western part of the license with a flowstation located at Amukpe with a capacity of 45,000 bpd. These facilities treat production from both the Amukpe and Ovhor fields. Liquids (oil and water) from the Amukpe flowstation are evacuated to the Forcados Terminal where the water is separated from the oil and the dry crude is exported. Evacuation from Amukpe - Oben is via the 8" Amukpe - Amukpe Manifold delivery line, to the 24" Amukpe-Rapele Trunk line and the 28" Rapele-Forcados Trunk line.

##### **4.2.1 Ovhor**

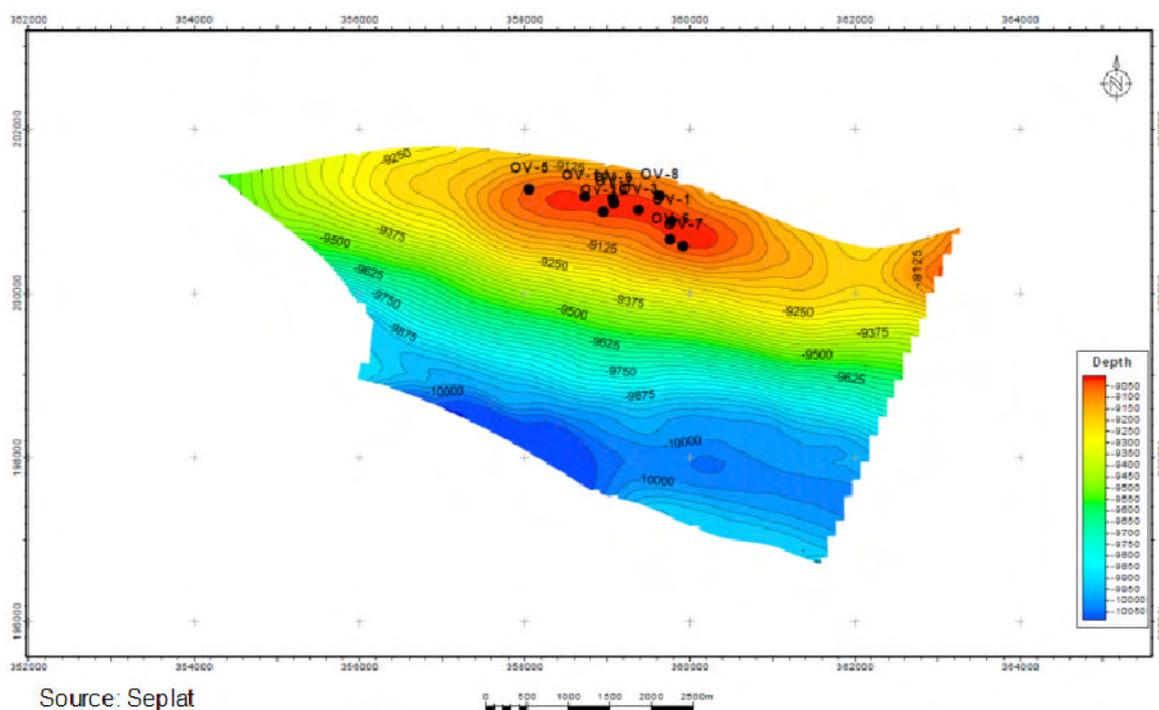
The Ovhor field is located about 6 km SW of Amukpe and was discovered in 1991. Ovhor straddles licenses OML 38 and OML 41. The field came on stream in November 1993 and peaked at about 25,000 bopd in January, 2006. The field is tied back to Amukpe flowstation. Wells Ovhor 2L and 2S are tied into the Sapele flow station and during February 2011 were returned to production.

During June, 2011, the Ovhor field was producing about 27,500 bopd, compared with about 21,000 bopd at the end of 2010. Total Ovhor production during the first six months of 2011 was 5,084 Mstb.

The Ovhor structure is a simple NW-SE dip closure associated with a rollover structure bounded to the north by a major growth fault (Figure 4.3). The reservoir

sands are good quality and consist of channels, barrier bars and shoreface deposits. Porosities range from 21% to 27%. Most of these reservoirs thin away from the growth fault. The hydrocarbon limits are reasonably well defined, with hydrocarbon contacts established from logs in all but four reservoirs.

**FIGURE 4.3**  
**OVHOR STRUCTURE MAP**  
**11200N RESERVOIR**



Seplat has scheduled and budgeted two infill wells in Ovhor during 2012 and its development plan makes provision for additional wells and workovers beyond 2012. Exact locations and operations will depend on the results of ongoing reservoir studies

#### **4.2.2 Resource Estimates OML 38**

The forecasts of oil, gas and condensate at the Proved and Proved plus Probable levels for OML 38 are presented in Appendix III.2. These forecasts have been subjected to economic limit testing and are truncated at the end of the license on 1<sup>st</sup> July, 2019. The gas volumes represent solution gas, with a 10% deduction to allow for any fuel requirements, shrinkage and flare.

#### **4.3 OML 41**

OML 41 covers some 291 km<sup>2</sup> and contains the Sapele and Ovhor fields. The license was originally awarded to SPDC in 1962 and renewed in 1989 for a further 30 years with expiry on 1<sup>st</sup> July, 2019. The license was assigned to Seplat on 30<sup>th</sup> July, 2010. The current infrastructure consists of a single flowstation with a nominal 60.0 Mbpd capacity with an oil pipeline to the Amukpe manifold. There is a gas plant at Sapele with a nominal 90 MMscfd capacity supplying the NGC network. Oil export from the Sapele flowstation is via the Sapele-Amukpe delivery line to the Amukpe manifold and

on to the Forcados Terminal via the Amukpe-Rapele and Rapele-Forcados trunk lines. Condensate from the NAG is exported to Oben-Amukpe delivery line. The condensate stream can also be routed to the flowstation to be combined with the oil export.

#### **4.3.1 Sapele**

The Sapele field was discovered in 1969 and is located about 40 km north of Warri. Production commenced in 1971 and peaked at about 40,000 bopd in 1974. Production was reinstated in 2010 and during June, 2011 there were four wells producing from the heavy oil reservoirs, four wells from the light oil reservoirs and two NAG wells. Total Sapele oil production during the first six months of 2011 was 884 Mstb.

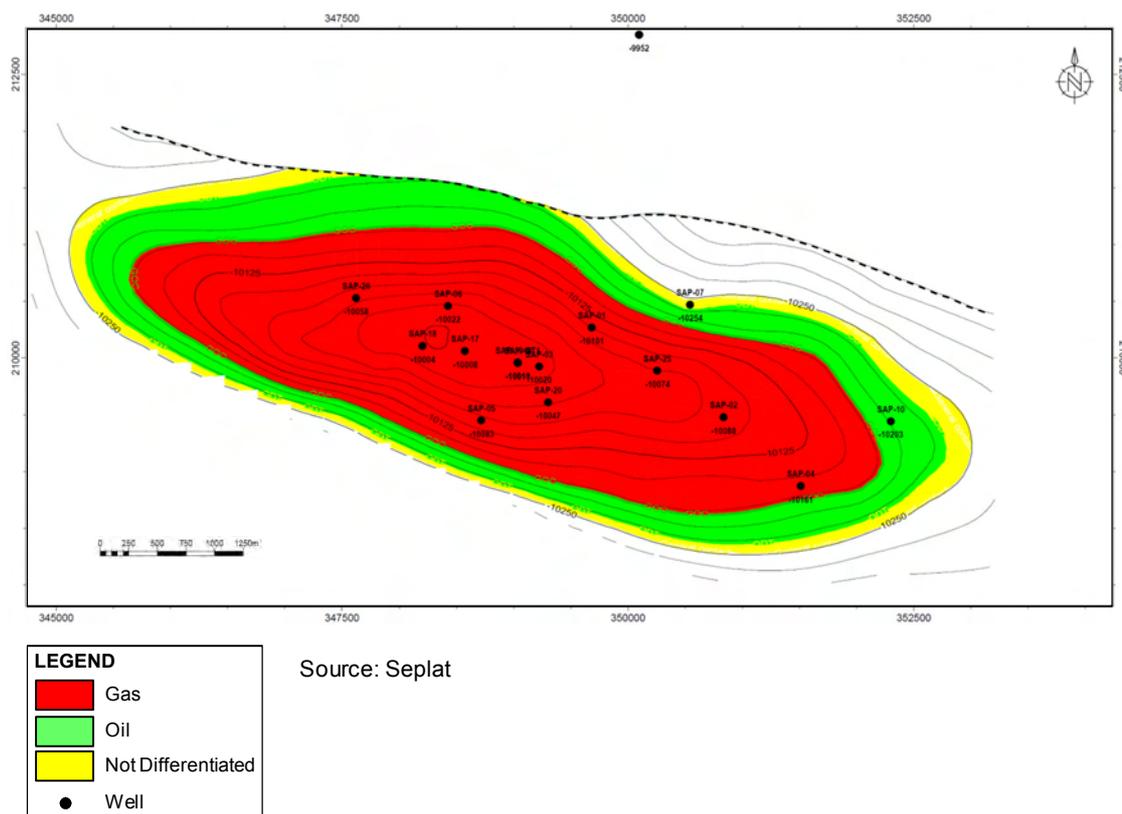
NAG is produced from wells Sap1 17T and 18T. Gas production is erratic and during June, 2011, gas and condensate sales averaged about 28 MMscfd and 1,150 bopd respectively for those days that gas sales were reported.

Sapele is a low relief rollover structure (Figure 4.4). Reservoir sands consist of barrier bar sands with porosities of about 30% and permeabilities above 1 Darcy.

There is a different oil quality and reservoir quality between the 'shallow' and 'deeper' sands. The 20 shallow sands are between 3,000 ftss to 6,000 ftss and are mainly unconsolidated barrier bar sands with some shallower channel sands. The crude is undersaturated, moderately heavy oil (20 to 22° API), high viscosity (30 to 40 cp) and low initial solution Gas-Oil-Ratio (GOR) (3 to 30 scf/bbl). Generally, the shallow sands have a comparatively lower permeability. There are 12 deeper zones (> 6,000 ft) with saturated light crudes and high solution GOR (1,400 to 2,200 scf/bbl) and low viscosities (0.2 to 0.3 cp at reservoir conditions). Below this are seven NAG reservoirs.

**FIGURE 4.4**

**SAPELE STRUCTURE MAP G4000 RESERVOIR**



Source: Seplat

**Note:**

“Not differentiated” is volume below lowest logged oil that could be oil or water.

Seplat has identified a number of workover opportunities in its development plan on Sapele and the Companies have provided estimates of recoverable oil associated with each of them. GCA has audited these opportunities and considers that the resource estimates are reasonable.

**4.3.2 Resource Estimates OML 41**

The forecasts of oil, gas and condensate at the Proved and Proved plus Probable levels for OML 41 are presented in Appendix III.3. These forecasts have been subjected to economic limit testing. The gas volumes include solution gas, gas cap and NAG, with a plateau gas cap and NAG of 21 MMscfd, with 10% deduction to allow for any fuel requirements, shrinkage and flare. The condensate volumes are estimated based on a current producing condensate gas ratio of about 35 Bbl/MMscf. Gas and condensate Reserves are only estimated up until the economic limit of the oil production.

**4.4 Economic Limit Testing**

The life of field production forecasts are subjected to a pre-tax economic limit test (ELT) for each OML. The profiles presented in Appendix III have been truncated at the economic limit.

#### 4.4.1 Commercial Terms

The key elements of the Nigerian fiscal regime for petroleum operations, as they pertain to these Licences are summarised below:

- The licenses for the three OMLs have been assigned from SPDC and expire on 1<sup>st</sup> July, 2019; an extension to 1<sup>st</sup> July 2034 with the same terms has been assumed.
- Commercial data relating to a Petroleum Profits Tax (PPT) of 65.75% for oil and 30% for gas; MPN Working
- Interest 20.25%;
- Royalty terms of 20% for oil and 7% for gas. GCA understands that Royalty is taken as payment, rather than “in kind”;
- The Companies have advised that the domestic gas obligation is currently being sold for about U.S.\$0.14/MMBTU but that there is a Government decree to increase this to U.S.\$1.00/MMBTU. For the purposes of the ELT GCA has applied U.S.\$0.14/MMBTU;
- Niger Delta Development Tax (NDDC) is levied at 3% of total expenditure; and
- Education and IT Tax = 3% of profit before capital allowances.

It should be noted that GCA has been requested by the Company not to provide NPVs associated with the ELTs conducted herein.

#### 4.4.2 Cost Assumptions

GCA conducted a review and estimation of all CAPEX and OPEX related to the four producing fields. The source of the information was:

- 2011 budget and actual expenditures for the first six months
- Discussions with the Companies on actual operating cost and specific capital expenditure as per Seplat’s current operations within the area, including drilling and workover costs,

Workover and recompletion costs are estimated by Seplat at between U.S.\$6.50 MM and U.S.\$10.00 MM per well and drilling costs at between U.S.\$17.00 MM and U.S.\$23.00 MM per well.

Other CAPEX includes U.S.\$10 MM in 2012 for gas conditioning facilities and further CAPEX of U.S.\$55 MM for water disposal wells. Seplat has budgeted U.S.\$30 MM in 2013 to increase the gas handling capacity at Oben to 165 MMCFD. GCA has attributed all of these costs to OML 4.

The first half 2011 actual OPEX was U.S.\$16.9 MM production costs, U.S.\$23.8 MM crude handling and U.S.\$13.7 MM overheads for oil production of 5,826 Mstb. GCA has assumed fixed annual OPEX of U.S.\$54.3 MM (oil production costs plus 75% of the overheads on the basis that part of the overheads will be allocated to non field related activities). The fixed OPEX is

allocated between the three OMLs in proportion to oil production. A variable OPEX of U.S.\$8.16/Bbl is assumed, equivalent to the crude handling costs.

Seplat has still to obtain a valuation of the abandonment costs and is currently booking 2% of the total costs of the producing assets.

#### 4.4.3 Other Economic Assumptions

- Effective date of the assessment is 30<sup>th</sup> June, 2011;
- All costs (CAPEX and OPEX) are inflated at 2.0% per annum from 1<sup>st</sup> January, 2012 onwards, in line with prices;
- Condensate is assumed to be spiked in the oil, therefore condensate revenues will be taxed under PPT and not CIT;

#### 4.5 Reserves Summary

GCA's assessment is based upon its understanding of the fiscal and contractual terms governing the assets, together with a set of economic and commercial assumptions which are described within this section. In conducting the ELTs, on an OML basis, GCA has used its internal Price Scenario as shown in Table 4.1. GCA was advised that production from the OMLs is currently sold at a U.S.\$1.75/Bbl premium to Brent, and has maintained this differential for the duration of the evaluation.

**TABLE 4.1**

#### **FORECAST PRICE SCENARIO (NOMINAL)**

	<b>Brent Marker Crude (U.S.\$/Bbl)</b>	<b>Produced Liquids (U.S.\$/Bbl)</b>
2011	112.60	114.35
2012	112.45	114.20
2013	110.38	112.13
2014	104.72	106.47
2015	99.42	101.17
2016	99.37	101.12
Thereafter	2.0% p.a.	2.0% p.a.

The Proved (1P), Proved plus Probable (2P) and Proved plus Probable plus Possible (3P) oil, gas and condensate Reserves as at 30<sup>th</sup> June, 2011 are summarised by field and OML Gross in Table 4.2 and net to Maurel & Prom's 20.25% WI in Table 4.3.

The historical and forecast oil production for the three Reserves categories is shown graphically in Figure 4.5. This plot shows how the current level of circa 37,000 bopd is already approaching pre-2000 rates and that in the 2P case is expected to achieve close to the peak rates of about 58,000 bopd last reached in 1978. The forecast decline rates are higher than historical averages.

**TABLE 4.2**

**GROSS OIL, GAS AND CONDENSATE RESERVES AS AT 30<sup>th</sup> JUNE, 2011**

**PROVED**

	Oil Developed MMstb	Oil Undeveloped MMstb	Total Oil MMstb	Gas Bscf	Condensate MMstb
Oben	9.70	4.66	14.36	118.77	0.48
<b>Total OML 4</b>	<b>9.70</b>	<b>4.66</b>	<b>14.36</b>	<b>118.77</b>	<b>0.48</b>
Amukpe	0.41	0.00	0.41	0.55	0.00
Ovhor <sup>1</sup>	13.83	2.50	16.33	1.37	0.00
<b>Total OML 38</b>	<b>14.24</b>	<b>2.50</b>	<b>16.74</b>	<b>1.92</b>	<b>0.00</b>
Sapele	8.21	0.00	8.21	30.40	1.03
Ovhor <sup>1</sup>	13.83	2.50	16.33	1.37	0.00
<b>Total OML 41</b>	<b>22.04</b>	<b>2.50</b>	<b>24.54</b>	<b>31.77</b>	<b>1.03</b>
<b>Total</b>	<b>45.98</b>	<b>9.66</b>	<b>55.64</b>	<b>152.46</b>	<b>1.51</b>

**PROVED PLUS PROBABLE**

	Total Oil MMstb	Gas Bscf	Condensate MMstb
Oben	67.53	814.32	3.39
<b>Total OML 4</b>	<b>67.53</b>	<b>814.32</b>	<b>3.39</b>
Amukpe	0.41	0.55	0.00
Ovhor <sup>1</sup>	29.88	3.17	0.00
<b>Total OML 38</b>	<b>30.29</b>	<b>3.72</b>	<b>0.00</b>
Sapele	18.81	80.58	2.80
Ovhor <sup>1</sup>	29.88	3.17	0.00
<b>Total OML 41</b>	<b>48.69</b>	<b>83.75</b>	<b>2.80</b>
<b>Total</b>	<b>146.51</b>	<b>901.79</b>	<b>6.19</b>

**PROVED PLUS PROBABLE PLUS POSSIBLE**

	Total Oil MMstb	Gas Bscf	Condensate MMstb
Oben	82.47	867.87	3.55
<b>Total OML 4</b>	<b>82.47</b>	<b>867.87</b>	<b>3.55</b>
Amukpe	0.64	0.85	0.00
Ovhor <sup>1</sup>	39.41	3.93	0.00
<b>Total OML 38</b>	<b>40.05</b>	<b>4.78</b>	<b>0.00</b>
Sapele	30.46	104.67	3.52
Ovhor <sup>1</sup>	39.41	3.93	0.00
<b>Total OML 41</b>	<b>69.87</b>	<b>108.60</b>	<b>3.52</b>
<b>Total</b>	<b>192.39</b>	<b>981.25</b>	<b>7.07</b>

**Notes:**

1. Ovhor is assumed to be 50% in OML 38 and 50% in OML 41.
2. Numbers may not add up due to rounding.
3. Gas Reserves assessed up to the economic limit of the oil.

**TABLE 4.3**

**MPN 20.25% WI OIL, GAS AND CONDENSATE RESERVES  
AS AT 30<sup>th</sup> JUNE, 2011**

**PROVED**

21.99 to 22.00 an	Oil Developed MMStb	Oil Undeveloped MMStb	Total Oil MMStb	Gas Bscf	Condensate MMStb
Oben	1.96	0.94	2.91	24.05	0.10
<b>Total OML 4</b>	<b>1.96</b>	<b>0.94</b>	<b>2.91</b>	<b>24.05</b>	<b>0.10</b>
Amukpe	0.08	0.00	0.08	0.11	0.00
Ovhor <sup>1</sup>	2.80	0.51	3.31	0.28	0.00
<b>Total OML 38</b>	<b>2.88</b>	<b>0.51</b>	<b>3.39</b>	<b>0.39</b>	<b>0.00</b>
Sapele	1.66	0.00	1.66	6.16	0.21
Ovhor <sup>1</sup>	2.80	0.51	3.31	0.28	0.00
<b>Total OML 41</b>	<b>4.46</b>	<b>0.51</b>	<b>4.97</b>	<b>6.44</b>	<b>0.21</b>
<b>Total</b>	<b>9.31</b>	<b>1.96</b>	<b>11.27</b>	<b>30.88</b>	<b>0.31</b>

**PROVED PLUS PROBABLE**

	Total Oil MMStb	Gas Bscf	Condensate MMStb
Oben	13.67	164.90	0.69
<b>Total OML 4</b>	<b>13.67</b>	<b>164.90</b>	<b>0.69</b>
Amukpe	0.08	0.11	0.00
Ovhor <sup>1</sup>	6.05	0.64	0.00
<b>Total OML 38</b>	<b>6.13</b>	<b>0.75</b>	<b>0.00</b>
Sapele	3.81	16.32	0.57
Ovhor <sup>1</sup>	6.05	0.64	0.00
<b>Total OML 41</b>	<b>9.86</b>	<b>16.96</b>	<b>0.57</b>
<b>Total</b>	<b>29.67</b>	<b>182.61</b>	<b>1.25</b>

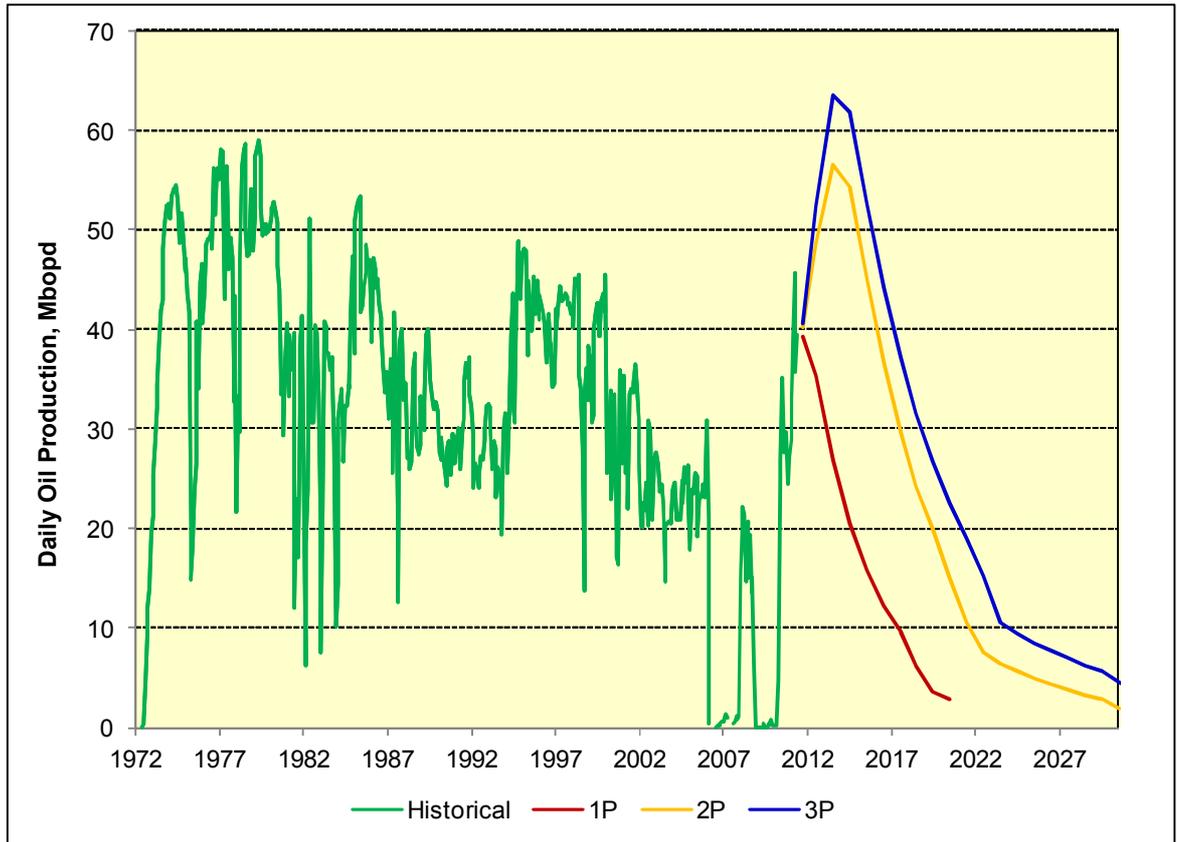
**PROVED PLUS PROBABLE PLUS POSSIBLE**

	Total Oil MMStb	Gas Bscf	Condensate MMStb
Oben	16.70	175.74	0.72
<b>Total OML 4</b>	<b>16.70</b>	<b>175.74</b>	<b>0.72</b>
Amukpe	0.13	0.17	0.00
Ovhor <sup>1</sup>	7.98	0.80	0.00
<b>Total OML 38</b>	<b>8.11</b>	<b>0.97</b>	<b>0.00</b>
Sapele	6.17	21.20	0.71
Ovhor <sup>1</sup>	7.98	0.80	0.00
<b>Total OML 41</b>	<b>14.15</b>	<b>22.00</b>	<b>0.71</b>
<b>Total</b>	<b>38.96</b>	<b>198.71</b>	<b>1.43</b>

**Notes:**

1. Ovhor is assumed to be 50% in OML 38 and 50% in OML 41.
2. Gas Reserves assessed up to the economic limit of the oil.
3. Before Royalties.

**FIGURE 4.5**  
**OMLs 4, 38 AND 41**  
**HISTORICAL AND FORECAST OIL PRODUCTION**



#### 4.6 Historic Metrics

The oil and gas production history for the calendar years 2008, 2009 and 2010 and the first six months of 2011 for each OML are summarised in the following two tables:

Field	Oil Production (MBbl)			
	2008	2009	2010	2011 (6 months)
Oben	824.5	48.2	992.6	679.8
Ovhor	4,288.3	0.0	5,313.1	5,083.6
Sapele	372.5	10.2	716.7	883.5
Amukpe	112.5	0.0	46.8	45.4
<b>Total</b>	<b>5,597.8</b>	<b>58.4</b>	<b>7,069.2</b>	<b>6,692.3</b>

Field	Gas Production (Bscf)			
	2008	2009	2010	2011 (6 months)
Oben	29.4	7.3	34.3	15.2
Ovhor	0.6	0.0	0.7	0.5
Sapele	11.8	1.2	17.2	5.7
Amukpe	0.3	0.0	0.1	0.0
<b>Total</b>	<b>42.1</b>	<b>8.5</b>	<b>52.3</b>	<b>21.4</b>

It is not meaningful to try and develop any trends from these numbers, as the fields were shut in at the end of 2008 for most of the time up to 30<sup>th</sup> July, 2010, when the assets were assigned to Seplat.

The Companies have not been able to provide information on any costs prior to August, 2010, when SPDC was operator. There is, therefore, no benchmark against which to compare or verify the reported first half 2011 expenditures. As stated in Section 4.4.2 above, the first half 2011 actual OPEX totalled U.S.\$54.4 MM, comprising U.S.\$16.9 MM production costs, U.S.\$23.8 MM crude handling and U.S.\$13.7 MM overheads for an oil production of 5,826 Mstb, or an average of U.S.\$9.34/Bbl.

#### 4.7 Contingent Resources Summary – Producing Fields

Recoverable oil, gas and condensate that are not produced by 1<sup>st</sup> July, 2034 or by the economic limit of oil production are categorised as Contingent Resources.

For the remaining reservoir units within the four fields that have not been attributed Reserves and for which there is currently no development plan, GCA has attributed Contingent Resources, provided GCA considers that the reservoirs have not already been depleted and are demonstrated by well logs and other data to contain potentially commercial hydrocarbons.

The Low estimate (1C), Best estimate (2C) and High estimate (3C) oil, gas and condensate Contingent Resources as at 30<sup>th</sup> June, 2011 are summarised by field and OML Gross and to MPN's 20.25% WI in Table 4.4.

**TABLE 4.4**  
**OIL, GAS AND CONDENSATE CONTINGENT RESOURCES**  
**ASSOCIATED WITH PRODUCING FIELDS**  
**AS AT 30<sup>th</sup> JUNE, 2011**

**1C**

	Gross			MPN 20.25% Working Interest		
	Total Oil MMstb	Gas Bscf	Condensate MMstb	Total Oil MMstb	Gas Bscf	Condensate MMstb
Oben	18.13	453.74	17.42	3.67	91.88	3.53
<b>Total OML 4</b>	<b>18.13</b>	<b>453.74</b>	<b>17.42</b>	<b>3.67</b>	<b>91.88</b>	<b>3.53</b>
Amukpe	0.26	67.31	2.35	0.05	13.63	0.48
Ovhor <sup>1</sup>	2.06	0.13	0.00	0.42	0.03	0.00
<b>Total OML 38</b>	<b>2.32</b>	<b>67.44</b>	<b>2.35</b>	<b>0.47</b>	<b>13.66</b>	<b>0.48</b>
Sapele	41.81	73.54	3.42	8.47	14.89	0.69
Ovhor <sup>1</sup>	2.06	0.13	0.00	0.42	0.03	0.00
<b>Total OML 41</b>	<b>43.87</b>	<b>73.67</b>	<b>3.42</b>	<b>8.88</b>	<b>14.92</b>	<b>0.69</b>
<b>Total</b>	<b>64.32</b>	<b>594.85</b>	<b>23.19</b>	<b>13.02</b>	<b>120.46</b>	<b>4.70</b>

**2C**

	Gross			MPN 20.25% Working Interest		
	Total Oil MMstb	Gas Bscf	Condensate MMstb	Total Oil MMstb	Gas Bscf	Condensate MMstb
Oben	27.41	644.86	24.72	5.55	130.58	5.01
<b>Total OML 4</b>	<b>27.41</b>	<b>644.86</b>	<b>24.72</b>	<b>5.55</b>	<b>130.58</b>	<b>5.01</b>
Amukpe	0.39	74.16	2.59	0.08	15.02	0.52
Ovhor <sup>1</sup>	2.94	0.20	0.00	0.60	0.04	0.00
<b>Total OML 38</b>	<b>3.33</b>	<b>74.36</b>	<b>2.59</b>	<b>0.67</b>	<b>15.06</b>	<b>0.52</b>
Sapele	73.32	102.38	4.01	14.85	20.73	0.81
Ovhor <sup>1</sup>	2.94	0.20	0.00	0.60	0.04	0.00
<b>Total OML 41</b>	<b>76.26</b>	<b>102.58</b>	<b>4.01</b>	<b>15.44</b>	<b>20.77</b>	<b>0.81</b>
<b>Total</b>	<b>107.00</b>	<b>821.80</b>	<b>31.32</b>	<b>21.67</b>	<b>166.41</b>	<b>6.34</b>

**3C**

	Gross			MPN 20.25% Working Interest		
	Total Oil MMstb	Gas Bscf	Condensate MMstb	Total Oil MMstb	Gas Bscf	Condensate MMstb
Oben	38.75	715.11	26.74	7.85	144.81	5.41
<b>Total OML 4</b>	<b>38.75</b>	<b>715.11</b>	<b>26.74</b>	<b>7.85</b>	<b>144.81</b>	<b>5.41</b>
Amukpe	0.52	81.02	2.82	0.11	16.41	0.57
Ovhor <sup>1</sup>	3.53	0.24	0.00	0.71	0.05	0.00
<b>Total OML 38</b>	<b>4.05</b>	<b>81.26</b>	<b>2.82</b>	<b>0.82</b>	<b>16.46</b>	<b>0.57</b>
Sapele	73.32	98.98	3.87	14.85	20.04	0.78
Ovhor <sup>1</sup>	3.53	0.24	0.00	0.71	0.05	0.00
<b>Total OML 41</b>	<b>76.85</b>	<b>99.22</b>	<b>3.87</b>	<b>15.56</b>	<b>20.09</b>	<b>0.78</b>
<b>Total</b>	<b>119.65</b>	<b>895.59</b>	<b>33.43</b>	<b>24.23</b>	<b>181.36</b>	<b>6.77</b>

**Notes:**

1. Ovhor is assumed to be 50% in OML 38 and 50% in OML 41.
2. Numbers may not add up due to rounding.

## **5. ASSET SUMMARY - UNDEVELOPED DISCOVERIES**

In addition to the four producing fields, SPDC has made a number of discoveries on OMLs 38 and 41. The Companies have presented to GCA the status of Seplat's ongoing studies and resource estimates for four of these discoveries: Mosogar, Okporhuru, Ubaleme and Okoporo, to enable GCA to assess the oil Contingent Resources associated with these discoveries. The Companies have not made any representations for any gas Contingent Resources, even though many of the reservoirs encountered contained associated and non associated gas. GCA is, therefore, unable to quantify any gas Contingent Resources for the discoveries in OMLs 4, 38 and 41.

Seplat has reassessed the seismic and available well data on these four discoveries and has provided new estimates of oil in place. The technical data provided to GCA varied for each discovery. None of the exploration and appraisal wells drilled on the four discoveries had been tested, hence the Contingent Resources could only be attributed on the basis of the seismic interpretation, reservoir studies, well logs, core, pressure and PVT data (where available).

One of the main uncertainties lies in determining the fluid contacts where there is no oil water contact (OWC) or gas oil contact (GOC) logged in the wells. Most of the structures have low vertical relief thereby making them sensitive to time-to-depth conversion. Owing to the nature of the Nigerian clastic lithologies and fluids (i.e. low resistivity sands), log results are often ambiguous. With the exception of the logs, there were sparse first principle data.

GCA reviewed the supporting documentation and performed independent petrophysical checks of the input parameters, and spot checks of gross and net thicknesses, GRV, porosity and net to gross from the logs, where available. On the basis of this audit, GCA either accepted the Companies' representations or made adjustments where GCA considered appropriate.

Following are discussions on each of the individual four discoveries.

### **5.1 Mosogar Discovery OML 38**

The Mosogar discovery is located about 50 km north of Warri and east and northeast of Sapele and Amukpe fields, respectively and was discovered by well MOSO-1 in 1974, which was drilled on the basis of 2D seismic. The well was abandoned after casing failure and was redrilled as MOSO-2. Hydrocarbons were logged between 3,750 ft TVDss and 11,150 ft TVDss, with seven zones reported as oil-bearing and one as gas-bearing. The well was not cored or tested and hydrocarbons are attributed on the basis of seismic and well logs. An OWC was measured in most of the zones, thereby limiting the upside potential for downdip oil.

3D seismic was acquired in 1998-1999. The structure is a low relief NW-SE trending rollover anticline separated by a saddle. It is bounded to the north by a major east-west growth fault. There is some closure uncertainty in the western side of the field. The seismic data quality is fair to good for structural interpretation and shows the gentle rollover into the extensional fault.

The reservoirs consist of interbedded shales and sands, suggesting deposition in a coastal plain to shallow marine environment. The limit and quality of subsurface data suggest that there is uncertainty in the volumes.

Figure 5.1 is a depth structure map at the U3000 reservoir and Figure 5.2 is a north-south seismic line over the MOSO-2 well. There are 3 structural culminations, designated C, A and B, generally striking west to east. The structure at Area C is controlled only by 2D seismic data, leading to structural uncertainties. Areas A and B are covered by the 3D seismic and therefore have better structural control. The discovery well was drilled on a low relief anticline in Area A. The structural closure at Area A is dependent upon the extension of the north trapping west-east fault. At most reservoir levels Areas A and B form a single hydrocarbon accumulation, with Area C being separated by a saddle. In its assessment of Contingent Resources, GCA has considered Area A in the 1C, and Areas A+B in the 2C and 3C. In all cases Area C is treated as a Prospect and is thus excluded from Contingent Resources.

**FIGURE 5.1**  
**MOSOGAR DISCOVERY**  
**DEPTH STRUCTURE MAP U3000 RESERVOIR**

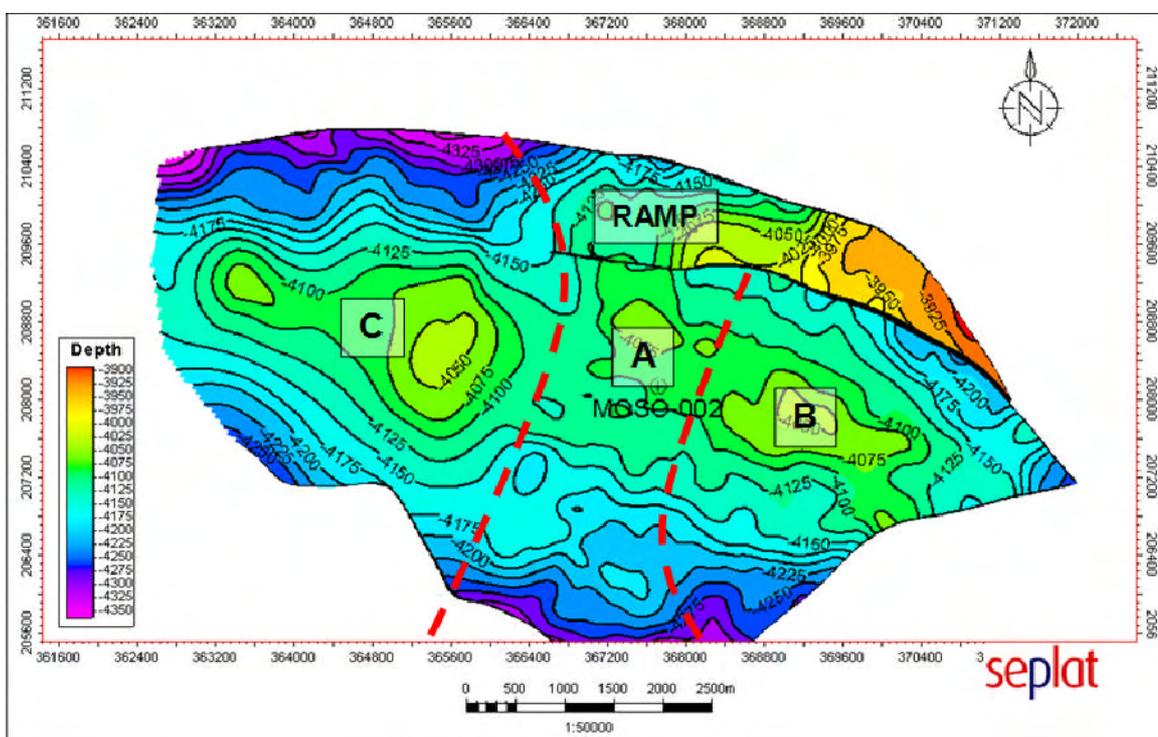
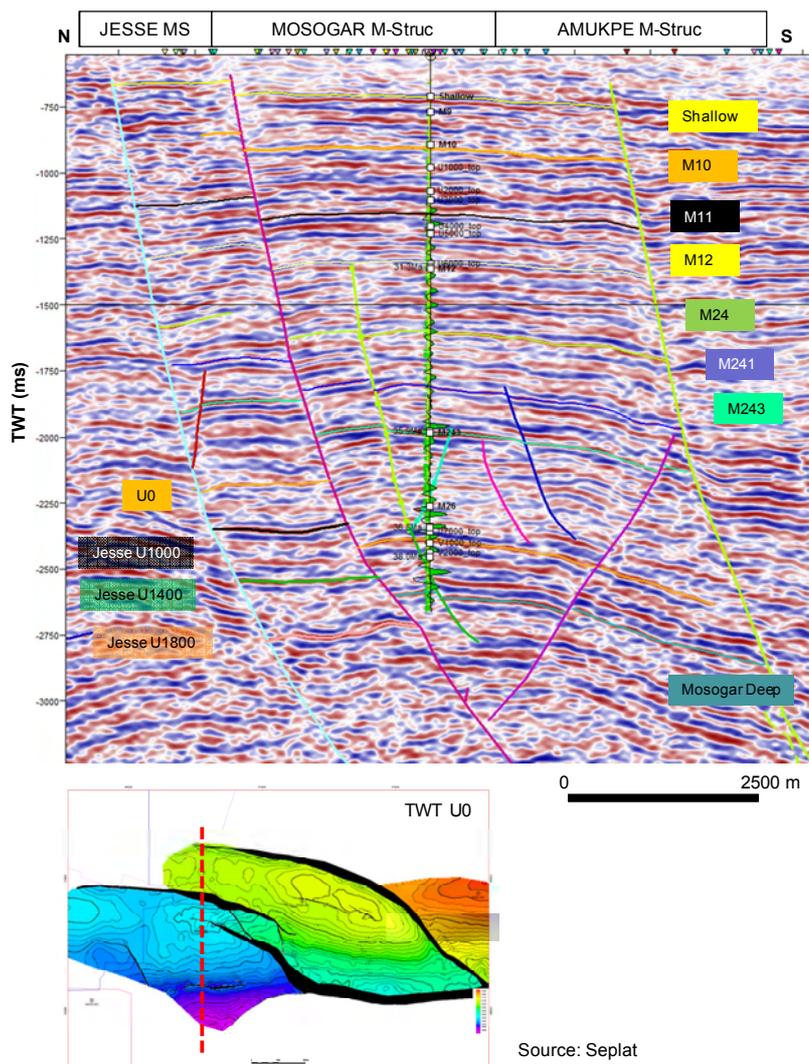


FIGURE 5.2

SEISMIC LINE OVER MOSOGAR-2



Source: Seplat

The Mosogar discovery data base consisted of a Petrel model, presentations and a report which provided a background about the seismic interpretation and a reservoir study. GCA audited the maps presented in the Petrel model and calculated the volumes for each reservoir for comparison with those volumes provided by Seplat. The Petrel model included the volumes and parameters necessary to calculate STOIP for the Areas A and B. At the 1C and 2C, GCA considers that the Seplat estimates of STOIP of 41.3 MMBbl and 144.3 MMBbl are reasonable. At the 3C, however, owing to the exclusion of Area C from the Contingent Resource estimate, GCA estimates a STOIP of 225.1 MMBbl.

GCA reviewed the porosity and saturation interpretations of SEPLAT. A full suite of digital log data were available for MOSO-2 and GCA performed an independent petrophysical evaluation of effective porosity and water saturation.

Seplat is planning to develop Mosogar during 2013, though GCA has not seen the development plans associated with this.

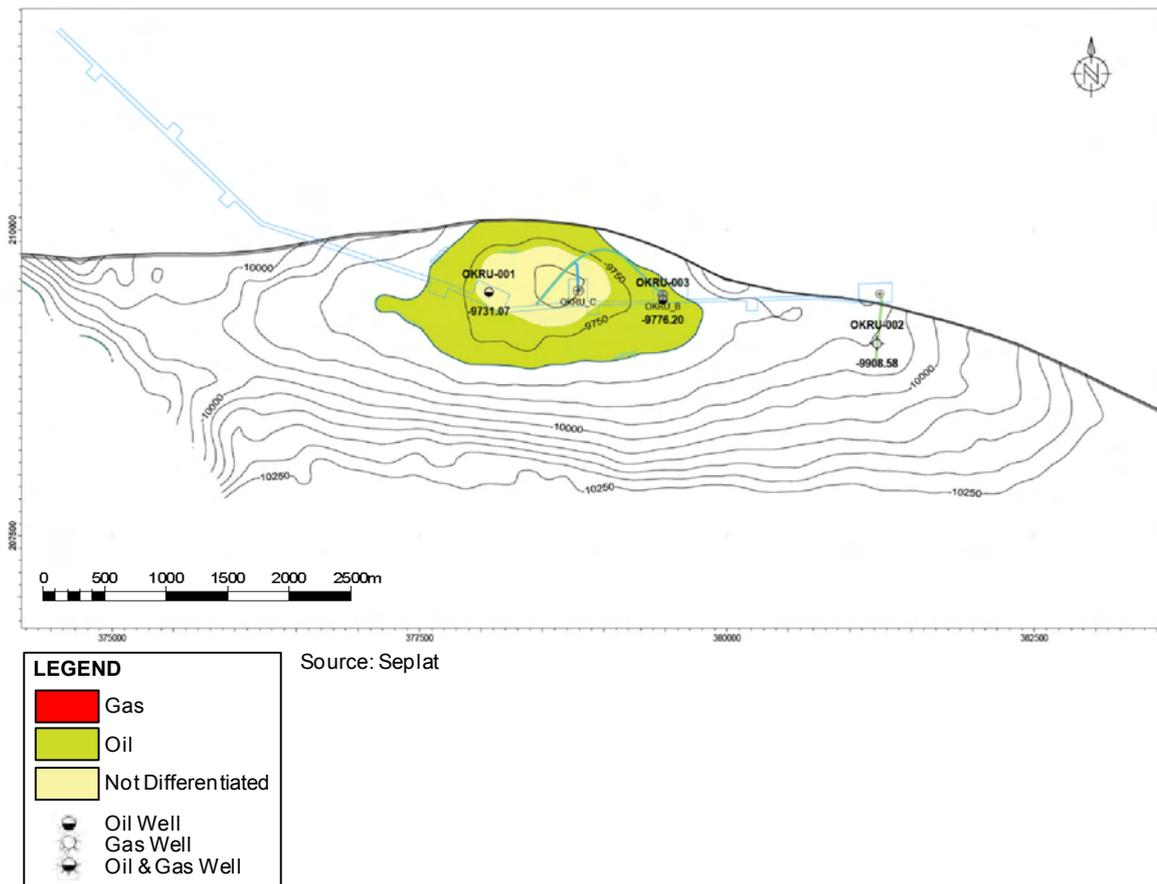
## 5.2 Okporhuru Discovery OML 38

Okporhuru was discovered in 1982 by well OKRU-1 which encountered light oil between 8,500 and 10,500 ft TVDss in 17 sands and gas in 5 sands. It is located in the OML-38 and surrounded by Olokun (East 15 km), Jesse (West 8 km) and Orogho (South-East 12 km). Appraisal well OKRU-2 was subsequently drilled down-flank in 1984, 3,000 m eastward but found water and was plugged and abandoned. A second appraisal well OKRU-3 was drilled in-between OKRU-1 and OKRU-2 in an apex position, thus confirming the roll-over extension and fluid contacts. 3D seismic was acquired in 1996.

Figure 5.3 is a depth structure map at the U5000 stratigraphic level. The map shows the gentle rollover into an extensional fault. There are both 4 way dip closure and fault dependent closure in the field. Figure 5.4 is an east-west geologic cross section showing the low relief anticlinal structure. For many of the reservoirs, the hydrocarbon type (oil versus gas) is unknown updip to the well control.

**FIGURE 5.3**

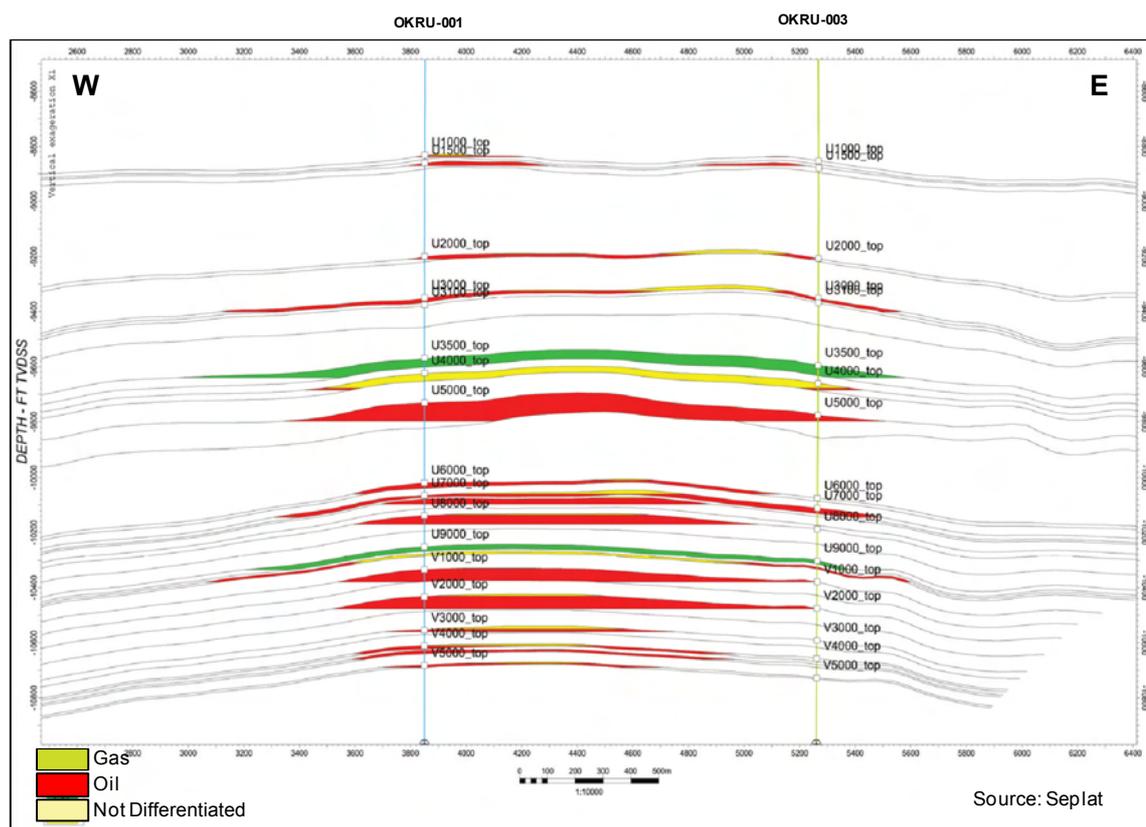
### OKPORHURU DISCOVERY DEPTH STRUCTURE MAP U5000 RESERVOIR



**Note:**

“Not differentiated” is volume above highest logged oil, which could be oil or gas.

**FIGURE 5.4**  
**WEST-EAST GEOLOGIC CROSS SECTION**  
**OKPORHURU FIELD**



**Notes:**

1. The colour convention in this cross section is non-standard, whereby oil is red and gas is green.
2. "Not differentiated" is volume above highest logged oil, which could be oil or gas.

GCA reviewed the available geo-technical and engineering data provided by the Companies. The data consisted of a geological report and reservoir engineering report that presented the results of static and dynamic modelling studies. The geological report included depth structure maps, geologic cross sections, CPI logs, pressure plots, PVT, and other data. Neither the static model nor the dynamic model was provided to GCA. In addition, there were no seismic data available for review; consequently, GCA was not able to independently validate the depth conversion or structure maps. Six oil-bearing reservoirs were included in the studies: U3000, U5000, U7000, U8000, V1000, and V2000. There are additional gas reservoirs in U4000 and U9000 but these have not been quantified.

GCA found the Seplat petrophysical methods of interpretation reasonable and consistent with the approach taken in the Ubaleme and Okoporo discoveries. However, GCA observes that the Neutron and Density log responses in the V2000 level of well OKRU-1 are indicative of gas. Seplat interpret this sand as oil bearing.

None of the wells were tested and the only oil sample was obtained from an RFT in the U5000 reservoir unit in well OKRU-1. PVT analysis indicated that the reservoir is under-saturated, but this is not definitive or indicative that all oil zones are

under-saturated. Notwithstanding this, Seplat's methodology at the 1P level was to assume oil only up to the highest known oil, and at the 2P level, up to half way between the highest known oil and the crest of the structure. This is consistent with the methodology adopted for the other fields.

Seplat's deterministic best estimate of STOIP was 55.3 MMBbl, with a range of 28.0 MMBbl P90 and 123.0 MMBbl P10.

GCA has checked the volumes based on the data provided and estimates a range of STOIP from a low estimate of 23.8 MMBbl, best estimate 45.3 MMBbl and High estimate of 98.3 MMBbl. In the absence of any detailed digital data or maps, GCA accepts that Seplat's range of resources is reasonable.

Two dynamic models were constructed, one with a low case STOIP of 41 MMBbl and the other with a base case STOIP of 55 MMBbl. The estimated recoveries, based on two new wells and a recompletion of well OKRU-1 resulted in recoveries of 22.8 MMBbl for the low case model and 27.1 MMBbl for the base case model. The low case model predicts a higher recovery factor, and is not representative of a 1C scenario.

Seplat is planning to drill an appraisal well on Okporhuru during 2012, with production scheduled for 2013.

### **5.3 Ubaleme and Okoporo Discoveries OML 41**

The Ubaleme and Okoporo fields both lie on the same structural trend in the southern part of OML 41, to the southwest of Ovhor (Figure 0.2). All three fields are NW-SE trending roll-over anticlines and are located on the downthrown side of faults. 3D seismic data were acquired over all the fields in 1996. New maps were generated based on the 3D seismic which is judged to be of fair quality. There is no evident fluid continuity between the two fields, with, for example, oil in Ubaleme D1000 and gas downdip in the same reservoir in Okoporo.

Okoporo was discovered in 1961 by well OKOP-01 and further appraised by OKOP-02. There are 8 reservoirs between 5,500 ftss to 9,000 ftss, of which four are oil bearing. OWCs are logged in three reservoirs.

Ubaleme was discovered by well UBLM-01 in 1968, and further appraised by wells UBLM-02 and UBLM-03. None of the wells were tested and Contingent Resources are attributed on the basis of the well logs. There are 6 reservoir units between 8,300 ft TVDss to 12,500 ft TVDss with logged hydrocarbons, of which two are oil bearing: D1000 and D5000. The Ubaleme-Okoporo data consisted of reservoir maps, well logs and a presentation document. There was also a static model with the 3D seismic. However, there was no seismic interpretation in the static model.

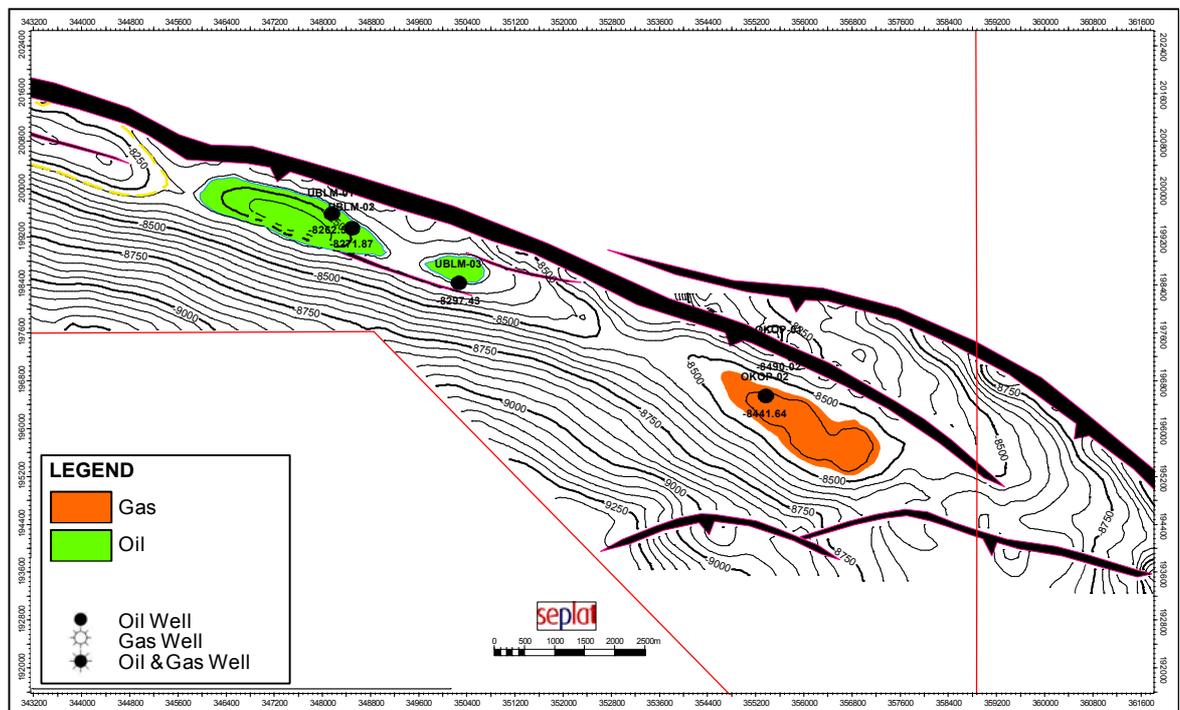
The static model included time surfaces, faults, average velocity functions, depth maps and fluid contacts. The seismic data quality is fair to locally good. The 3D seismic does not extend to the fields north of Ubaleme-Okoporo. GCA reviewed the methodology for time to depth conversion and found the application and depth results reasonable. The overall quality of the seismic is fair to locally good for structural interpretation and fair for stratigraphic, lithologic and fluid interpretation but there was no supporting documentation provided to GCA. Based on this review, it is the opinion of GCA that the time structure maps are reasonable and that the depth conversion follows normal industry practices. The depth maps in the static model are reasonable representations and fit for volume estimations.

Figure 5.5 is a depth structure map at the top of the D1000 reservoir for the two discoveries. The structure is a series of 4 way dip closures with some fault dependent closure into an extensional fault.

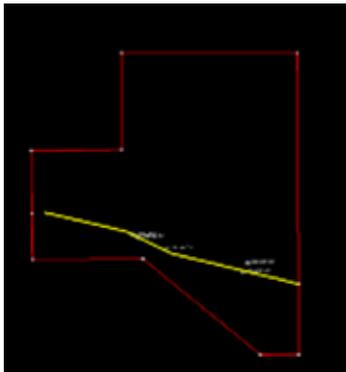
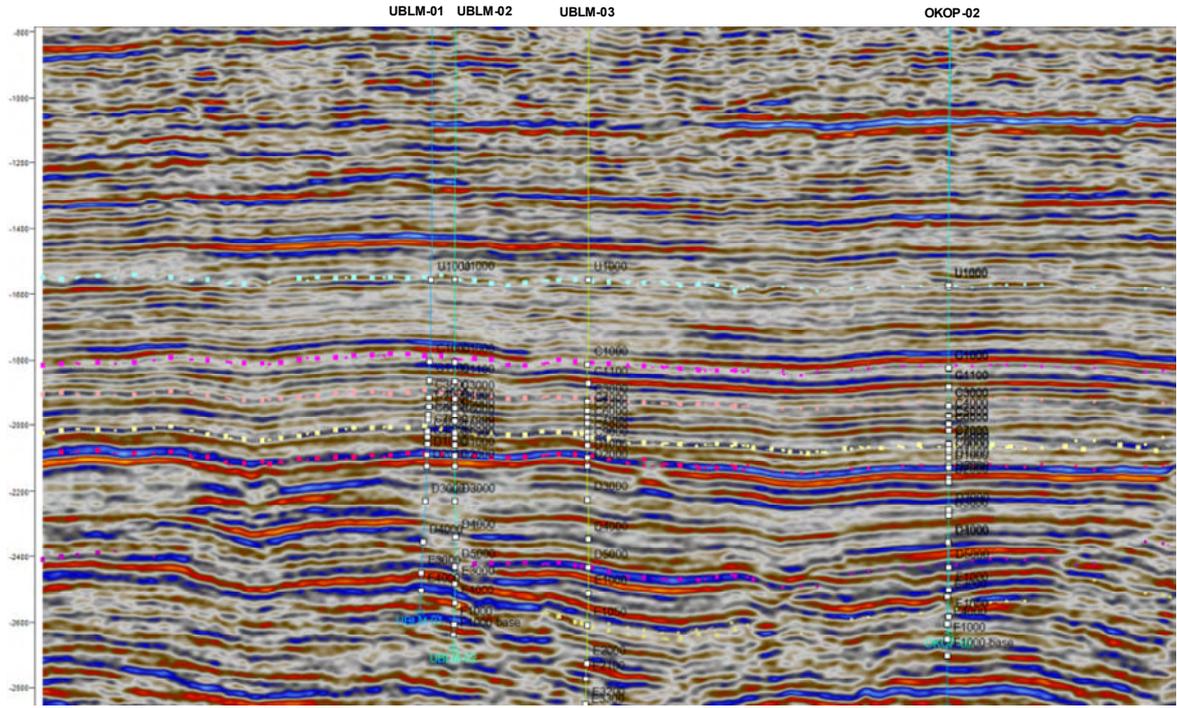
The reservoirs in both Ubaleme and Okoporo fields are not as well developed as at Ovhor, with thinner reservoirs that range in thickness from 3 ft to 60 ft. At Ovhor, all the hydrocarbon bearing reservoirs contain oil. However, at Okoporo and Ubaleme, the shallow reservoirs are oil bearing and the deeper zones are gas bearing.

Figure 5.6 is a west-northwest striking seismic line that shows the wells UBLM-01, UBLM-02, UBLM-03 and OKOP-02. This seismic line shows the nature of the low vertical relief structural closure. Figure 5.7 is a depth structure map for the largest oil bearing zone, C3000 reservoir, in the Okoporo discovery.

**FIGURE 5.5**  
**UBALEME AND OKOPORO DISCOVERIES**  
**DEPTH STRUCTURE MAP D1000 RESERVOIR**



**FIGURE 5.6**  
**UBALEME AND OKOPORO DISCOVERIES**  
**SEISMIC SECTION**

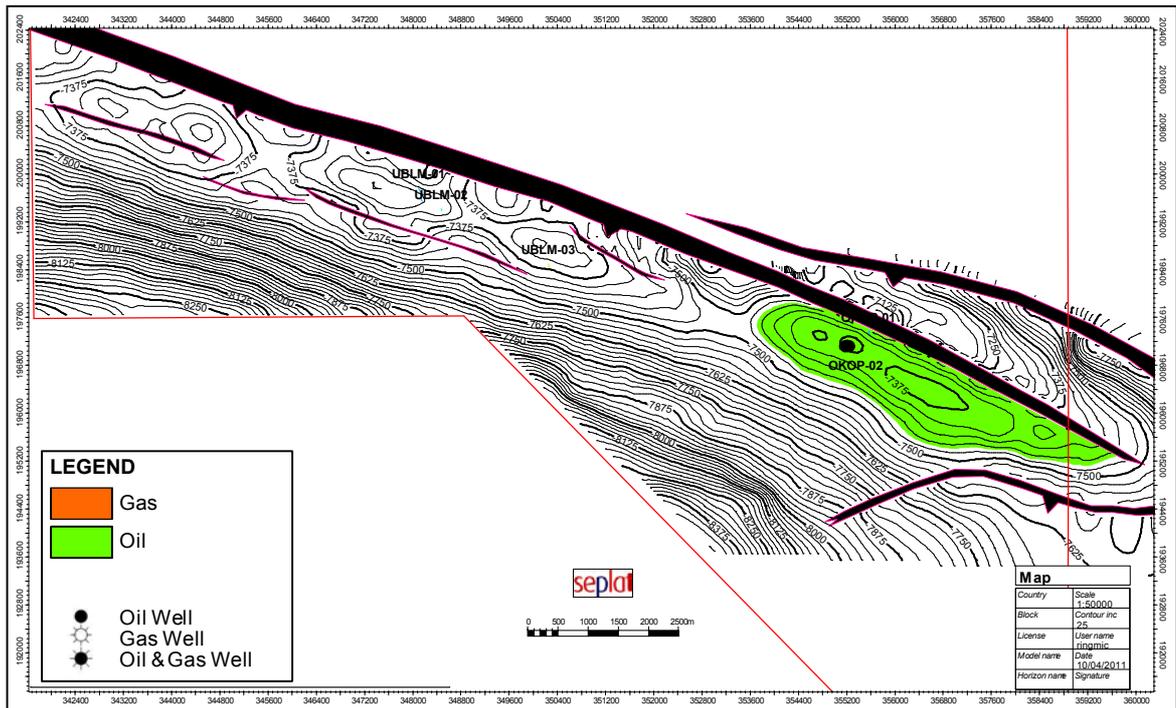


Source: Seplat

The Petrel data base presents STOIIIP estimates for only a best estimate case for Ubaleme and Okoporo. GCA has audited the model and verified the methodology and STOIIIP estimates and accepted these at the 2C category. GCA has developed 1C and 3C estimates by applying a range of uncertainty to the area and petrophysical properties.

Seplat is planning to develop Okoporo during 2013.

**FIGURE 5.7**  
**OKOPORO DISCOVERY**  
**DEPTH STRUCTURE MAP C3000 RESERVOIR**



#### 5.4 Other Discoveries

There are a number of other discoveries on OMLs 38 and 41 on which the Companies have not provided data to GCA. GCA cannot, therefore, comment on the potential of these discoveries.

#### 5.5 Contingent Resources Summary – Discoveries

GCA understands that Seplat is still performing its technical review of the four discoveries discussed above and that the data and information presented to GCA represent work in progress and are likely to change. Overall, GCA considers that Seplat's STOIP estimates are reasonable, subject to further review.

GCA has assumed recovery factors of 25%, 40% and 55% for 1C, 2C and 3C categories respectively. These are consistent with the known nature of the reservoirs, though oil recoveries in excess of 50% are achievable on good quality reservoirs with efficient recovery mechanisms.

The Low estimate (1C), Best estimate (2C) and High estimate (3C) oil, gas and condensate Contingent Resources as at 30<sup>th</sup> June, 2011 for the four discoveries are summarised by discovery and OML Gross and to Maurel & Prom's 20.25% WI in Table 5.1.

**TABLE 5.1**  
**OIL, GAS AND CONDENSATE CONTINGENT RESOURCES**  
**ASSOCIATED WITH DISCOVERIES**  
**AS AT 30<sup>th</sup> JUNE, 2011**

OML 38	Mosogar	10.33	57.72	123.81	2.09	11.69	25.07
OML 38	Okporhuru	7.00	22.12	67.65	1.42	4.48	13.70
OML 41	Ubaleme	3.83	8.17	14.04	0.78	1.65	2.84
OML 41	Okoporo	25.04	53.42	91.82	5.07	10.82	18.59
<b>Total</b>		<b>46.20</b>	<b>141.43</b>	<b>297.32</b>	<b>9.35</b>	<b>28.64</b>	<b>60.21</b>

## 6. SITE VISIT REPORT

GCA undertook a site visit to inspect the field facilities at Oben, Sapele and Amukpe during the week of 12<sup>th</sup> September, 2011. The purpose of this visit was to inspect the condition of the facilities, the security and safety systems, site accessibility and the ability of the Seplat personnel to effectively operate the facilities.

The majority of the facilities were constructed by SPDC. They appear to be functional as initially designed and should be capable of producing at their original design capacity. There is only limited evidence of any environmental damage, and no visible 'out of specification' or 'temporary' repairs. There are minor instances of replacement pumps or spares being required, and some work in progress at some of the facilities, but not to the extent that production is constrained. There is some evidence of localised, minor oil spills requiring only minimal clean-up.

Each flowstation has an established reporting and management structure, and adequate HSE monitoring and reporting.

The external environment is guarded by armed military. Each plant has a fence and access control process in place.

There are adequate levels of fire-fighting equipment available, with on-site water supply. However, at Sapele, only one fire water pump out of three was operational at the time of the site visit, and one of the power generators (out of three) was faulty.

Access roads are generally in good condition.

Equipment is of an international standard and is generally laid out in a well organized area. All piping is well secured with no evidence of leakages. The equipment appears to be in good condition with no signs of external corrosion. Each flow station was functional and producing at the time of the visit.

The personnel were provided with appropriate safety clothing and hard hats, which were worn whilst on site. The sites also appeared safe and there were no apparent safety hazards. Chemical stores are located at a safe distance at Oben, though there was a diesel tank located within the Amukpe facility.

The staff appeared well trained and capable of carrying out their responsibilities. The reported staff levels and days since the last lost time incident (LTI) for each of the installations are summarised in the following table:

Oben	Approx 54	398
Sapele	Approx 68	405
Amukpe	Not reported	Zero incidents

The inspection team was unable to inspect the field pipelines or flowlines. One of the challenges for companies operating in Nigeria is the ability to maintain production and dealing with interruptions as a result of security incidents and attempts to “hot tap” into pipelines to steal oil, often resulting in fires and lengthy shut downs. Seplat reported one such incident in March, 2011, involving a 6 mm hole drilled into the main trunk line 5 km south of Amukpe that resulted in a hydrocarbon fire. This was contained and clamped. Total period of lost production was 5 days. Seplat believes that the action was as a protest against increased security levels and line surveillance by Seplat and to negotiations with the communities along the pipelines. This incident demonstrates that there is still a risk but that Seplat is able to deal with it. GCA cannot comment on the potential for more serious incidents but that Seplat, as an indigenous company, is attempting to build the trust of local communities whilst maintaining a visible security presence.

A sample of photographs taken during the site visit is presented below.



Photo 1: Sapele Flowstation and gas plant



Photo 2: Oben Flowstation



Photo 3: Amukpe flow station



Photo 4: Security fencing at Amukpe

## 7. QUALIFICATIONS

GCA is an independent international energy advisory group of 48 years' standing, whose expertise includes petroleum reservoir evaluation and economic analysis.

The report is based on information compiled by professional staff members who are full time employees of GCA.

Staff who participated in the compilation of this report includes Mr. Tony Goodearl, Mr. Drew Powell, Mr. Paul McGhee, Mr. David Jarrett, Mr Roddy Irwin and Mr. Brian Rhodes.

Mr. Goodearl holds a B.Sc. in Chemical Engineering and a M.Eng. in Petroleum Engineering, is a member of the Society of Petroleum Engineers and the Energy Institute, and has 38 years' industry experience. Mr. Powell holds a B.Eng in Chemical Process Engineering, is a member of the Society of Petroleum Engineers, the Energy Institute and the Institute of Chemical Engineers, and has over 20 years' industry experience. Mr. Rhodes holds a B.Sc. in Geology, is a member of the Energy Institute, the Petroleum Exploration Society of Great Britain, the Society of Petroleum Engineers and the European Association of Geoscientists and Engineers, and has more than 37 years' industry experience. Mr. McGhee holds a B.Sc. in Chemical Engineering, is a member of the Institute of Chemical Engineers, the Society of Petroleum Engineers and the Association of International Petroleum Negotiators, and has 27 years' of industry experience. Mr Irwin holds a BSc in Petroleum Geology, is a member of the Society of Petroleum Well Log Analysts and has 21 years' industry experience. Mr Jarrett has a BSc in Geology and MSc in Petroleum Geoscience, is a member of the Petroleum Exploration Society of Great Britain, the Geological Society of London and the American Association of Petroleum Geologists.

## 8. BASIS OF OPINION

This assessment has been conducted within the context of GCA's understanding of the effects of petroleum legislation, taxation, and other regulations that currently apply to these properties and GCA's best professional judgement, subject to the generally recognised uncertainties associated with the interpretation of geoscience and engineering data.

GCA is not in a position to attest to property title or rights, conditions of these rights including environmental and abandonment obligations, and any necessary licences and consents including planning permission, financial interest relationships or encumbrances thereon for any part of the appraised properties.

It should be understood that any determination of Reserve volumes, particularly involving petroleum developments, or any assessment of Contingent Resources, may be subject to significant variations over short periods of time as new information becomes available and perceptions change. GCA does not guarantee the correctness or accuracy of any interpretation made by it and does not warrant that the opinions contained herein will be any form of guarantee of the outcome.

Yours sincerely

**GAFFNEY CLINE & ASSOCIATES**

A handwritten signature in black ink, appearing to read 'B Rhodes', written in a cursive style.

**Brian Rhodes**

Global Director – Corporate Advisory Services

## **APPENDIX I**

### **Glossary**

## **GLOSSARY**

### **List of Standard Oil Industry Terms and Abbreviations**

ABEX	Abandonment Expenditure
ACQ	Annual Contract Quantity
°API	Degrees API (American Petroleum Institute)
AAPG	American Association of Petroleum Geologists
AVO	Amplitude versus Offset
A\$	Australian Dollars
B	Billion (10 <sup>9</sup> )
Bbl	Barrels
/Bbl	per barrel
BBbl	Billion Barrels
BHA	Bottom Hole Assembly
BHC	Bottom Hole Compensated
Bscf or Bcf	Billion standard cubic feet
Bscfd or Bcfd	Billion standard cubic feet per day
Bm <sup>3</sup>	Billion cubic metres
bcpd	Barrels of condensate per day
BHP	Bottom Hole Pressure
blpd	Barrels of liquid per day
bpd	Barrels per day
boe	Barrels of oil equivalent @ xxx mcf/Bbl
boepd	Barrels of oil equivalent per day @ xxx mcf/Bbl
BOP	Blow Out Preventer
bopd	Barrels oil per day
bwpd	Barrels of water per day
BS&W	Bottom sediment and water
BTU	British Thermal Units
bwpd	Barrels water per day
CBM	Coal Bed Methane
CO <sub>2</sub>	Carbon Dioxide
CAPEX	Capital Expenditure
CCGT	Combined Cycle Gas Turbine
cm	centimetres
CMM	Coal Mine Methane
CNG	Compressed Natural Gas
Cp	Centipoise (a measure of viscosity)
CSG	Coal Seam Gas
CT	Corporation Tax
DCQ	Daily Contract Quantity
Deg C	Degrees Celsius
Deg F	Degrees Fahrenheit
DHI	Direct Hydrocarbon Indicator
DST	Drill Stem Test
DWT	Dead-weight ton
E&A	Exploration & Appraisal
E&P	Exploration and Production
EBIT	Earnings before Interest and Tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EI	Entitlement Interest
EIA	Environmental Impact Assessment
EMV	Expected Monetary Value
EOR	Enhanced Oil Recovery
EUR	Estimated Ultimate Recovery
FDP	Field Development Plan
FEED	Front End Engineering and Design
FPSO	Floating Production, Storage and Offloading
FSO	Floating Storage and Offloading
ft	Foot/feet
Fx	Foreign Exchange Rate
g	gram
g/cc	grams per cubic centimetre
gal	gallon
gal/d	gallons per day
G&A	General and Administrative costs
GBP	Pounds Sterling

GDT	Gas Down to
GIIP	Gas initially in place
Gj	Gigajoules (one billion Joules)
GOR	Gas Oil Ratio
GTL	Gas to Liquids
GWC	Gas water contact
HDT	Hydrocarbons Down to
HSE	Health, Safety and Environment
HSFO	High Sulphur Fuel Oil
HUT	Hydrocarbons up to
H <sub>2</sub> S	Hydrogen Sulphide
IOR	Improved Oil Recovery
IPP	Independent Power Producer
IRR	Internal Rate of Return
J	Joule (Metric measurement of energy)   kilojoule = 0.9478 BTU)
k	Permeability
KB	Kelly Bushing
KJ	Kilojoules (one Thousand Joules)
kl	Kilolitres
km	Kilometres
km <sup>2</sup>	Square kilometres
kPa	Thousands of Pascals (measurement of pressure)
KW	Kilowatt
KWh	Kilowatt hour
LACT	Lease Automatic Custody Transfer
LKG	Lowest Known Gas
LKH	Lowest Known Hydrocarbons
LKO	Lowest Known Oil
LNG	Liquefied Natural Gas
LoF	Life of Field
LPG	Liquefied Petroleum Gas
LTI	Lost Time Injury
LWD	Logging while drilling
m	Metres
M	Thousand
m <sup>3</sup>	Cubic metres
Mcf or Mscf	Thousand standard cubic feet
MCM	Management Committee Meeting
MMcf or MMscf	Million standard cubic feet
m <sup>3</sup> d	Cubic metres per day
mD	Measure of Permeability in millidarcies
MD	Measured Depth
MDT	Modular Dynamic Tester
Mean	Arithmetic average of a set of numbers
Median	Middle value in a set of values
MFT	Multi Formation Tester
mg/l	milligrammes per litre
MJ	Megajoules (One Million Joules)
Mm <sup>3</sup>	Thousand Cubic metres
Mm <sup>3</sup> d	Thousand Cubic metres per day
MM	Million
MMBbl	Millions of barrels
MMBTU	Millions of British Thermal Units
Mode	Value that exists most frequently in a set of values = most likely
Mscfd	Thousand standard cubic feet per day
MMscfd	Million standard cubic feet per day
MW	Megawatt
MWD	Measuring While Drilling
MWh	Megawatt hour
mya	Million years ago
NAG	Non Associated Gas
NGL	Natural Gas Liquids
N <sub>2</sub>	Nitrogen
NPV	Net Present Value
OBM	Oil Based Mud
OCM	Operating Committee Meeting
ODT	Oil down to
OPEX	Operating Expenditure

OWC	Oil Water Contact
p.a.	Per annum
Pa	Pascals (metric measurement of pressure)
P&A	Plugged and Abandoned
PDP	Proved Developed Producing
PI	Productivity Index
PJ	Petajoules (10 <sup>15</sup> Joules)
PSDM	Post Stack Depth Migration
psi	Pounds per square inch
psia	Pounds per square inch absolute
psig	Pounds per square inch gauge
PUD	Proved Undeveloped
PVT	Pressure volume temperature
P10	10% Probability
P50	50% Probability
P90	90% Probability
Rf	Recovery factor
RFT	Repeat Formation Tester
RT	Rotary Table
R <sub>w</sub>	Resistivity of water
SCAL	Special core analysis
cf or scf	Standard Cubic Feet
cf/d or scfd	Standard Cubic Feet per day
scf/ton	Standard cubic foot per ton
SL	Straight line (for depreciation)
s <sub>o</sub>	Oil Saturation
SPE	Society of Petroleum Engineers
SPEE	Society of Petroleum Evaluation Engineers
ss	Subsea
stb	Stock tank barrel
STOIIP	Stock tank oil initially in place
s <sub>w</sub>	Water Saturation
T	Tonnes
TD	Total Depth
Te	Tonnes equivalent
THP	Tubing Head Pressure
TJ	Terajoules (10 <sup>12</sup> Joules)
Tscf or Tcf	Trillion standard cubic feet
TCM	Technical Committee Meeting
TOC	Total Organic Carbon
TOP	Take or Pay
Tpd	Tonnes per day
TVD	True Vertical Depth
TVDss	True Vertical Depth Subsea
USGS	United States Geological Survey
U.S.\$	United States Dollar
VSP	Vertical Seismic Profiling
WC	Water Cut
WI	Working Interest
WPC	World Petroleum Council
WTI	West Texas Intermediate
wt%	Weight percent
1H05	First half (6 months) of 2005 (example of date)
2Q06	Second quarter (3 months) of 2006 (example of date)
2D	Two dimensional
3D	Three dimensional
4D	Four dimensional
1P	Proved Reserves
2P	Proved plus Probable Reserves
3P	Proved plus Probable plus Possible Reserves
%	Percentage

**APPENDIX II**  
**SPE PRMS Definitions**

**Society of Petroleum Engineers, World Petroleum Council, American Association of  
Petroleum Geologists and Society of Petroleum Evaluation Engineers**

**Petroleum Resources Management System**

**Definitions and Guidelines <sup>(3)</sup>**

**March 2007**

**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.

International efforts to standardize the definition of petroleum resources and how they are estimated began in the 1930s. Early guidance focused on Proved Reserves. Building on work initiated by the Society of Petroleum Evaluation Engineers (SPEE), SPE published definitions for all Reserves categories in 1987. In the same year, the World Petroleum Council (WPC, then known as the World Petroleum Congress), working independently, published Reserves definitions that were strikingly similar. In 1997, the two organizations jointly released a single set of definitions for Reserves that could be used worldwide. In 2000, the American Association of Petroleum Geologists (AAPG), SPE and WPC jointly developed a classification system for all petroleum resources. This was followed by additional supporting documents: supplemental application evaluation guidelines (2001) and a glossary of terms utilized in Resources definitions (2005). SPE also published standards for estimating and auditing reserves information (revised 2007).

These definitions and the related classification system are now in common use internationally within the petroleum industry. They provide a measure of comparability and reduce the subjective nature of resources estimation. However, the technologies employed in petroleum exploration, development, production and processing continue to evolve and improve. The SPE Oil and Gas Reserves Committee works closely with other organizations to maintain the definitions and issues periodic revisions to keep current with evolving technologies and changing commercial opportunities.

The SPE PRMS document consolidates, builds on, and replaces guidance previously contained in the 1997 Petroleum Reserves Definitions, the 2000 Petroleum Resources Classification and Definitions publications, and the 2001 "Guidelines for the Evaluation of Petroleum Reserves and Resources"; the latter document remains a valuable source of more detailed background information.,

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 SPE PRMS 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.

The full text of the SPE PRMS Definitions and Guidelines can be viewed at:  
[www.spe.org/specma/binary/files/6859916Petroleum\\_Resources\\_Management\\_System\\_2007.pdf](http://www.spe.org/specma/binary/files/6859916Petroleum_Resources_Management_System_2007.pdf)

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<sup>3</sup> These Definitions and Guidelines are extracted from the Society of Petroleum Engineers / World Petroleum Council / American Association of Petroleum Geologists / Society of Petroleum Evaluation Engineers (SPE/WPC/AAPG/SPEE) Petroleum Resources Management System document ("SPE PRMS"), approved in March 2007.

## **RESERVES**

***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 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. 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. 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.

### **On Production**

***The development project is currently producing and selling petroleum to market.***

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%. The project "decision gate" is the decision to initiate commercial production from the project.

### **Approved for Development**

***A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future.***

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. The project "decision gate" is the decision to start investing capital in the construction of production facilities and/or drilling development wells.

### **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.***

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). 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.

## **Proved Reserves**

*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.*

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. 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.

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). Reserves in undeveloped locations may be classified as Proved provided that the locations are in undrilled areas of the reservoir that can be judged with reasonable certainty to be commercially productive. Interpretations of available geoscience and engineering data indicate with reasonable certainty that the objective formation is laterally continuous with drilled Proved locations. 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.

## **Probable Reserves**

*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.*

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. 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. Probable estimates also include incremental recoveries associated with project recovery efficiencies beyond that assumed for Proved.

## **Possible Reserves**

*Possible Reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than Probable Reserves*

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. 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. Possible estimates also include incremental quantities associated with project recovery efficiencies beyond that assumed for Probable.

## **Probable and Possible Reserves**

*(See above for separate criteria for Probable Reserves and Possible Reserves.)*

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. 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. 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. 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.

### **Developed Reserves**

*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.

## **Undeveloped Reserves**

*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.

## **CONTINGENT RESOURCES**

***Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.***

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.*

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. 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.

### **Development Unclassified 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.*

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. 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.

### **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.

### **PROSPECTIVE RESOURCES**

***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.*

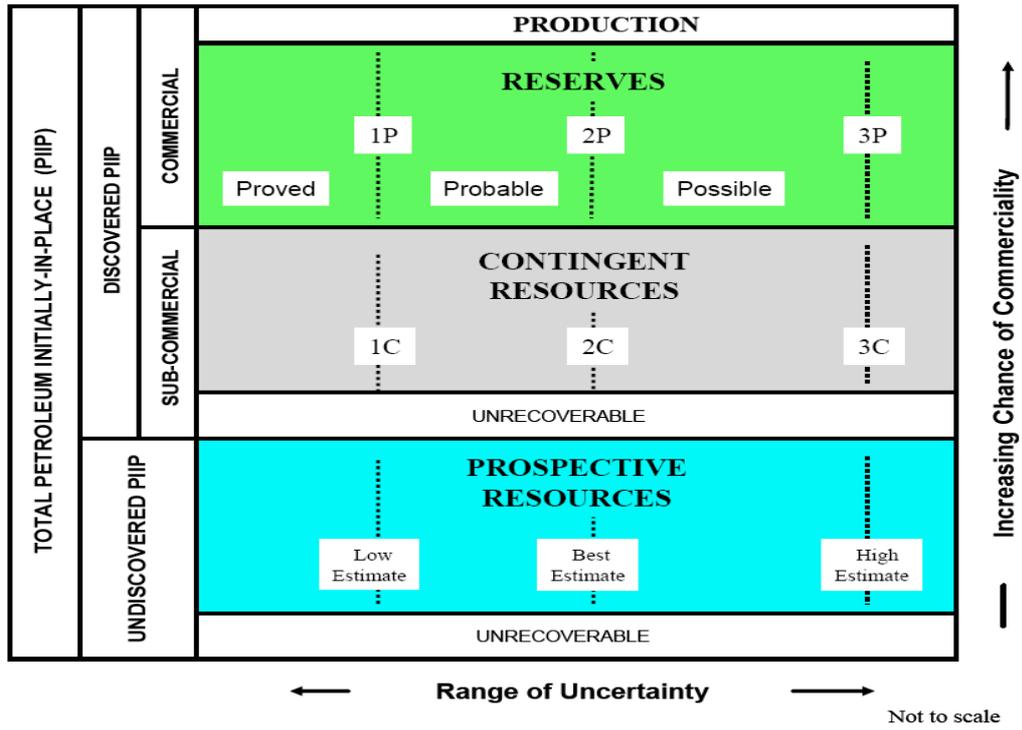
Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the lead can be matured into a prospect. Such evaluation includes the assessment of the chance of discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.

#### **Play**

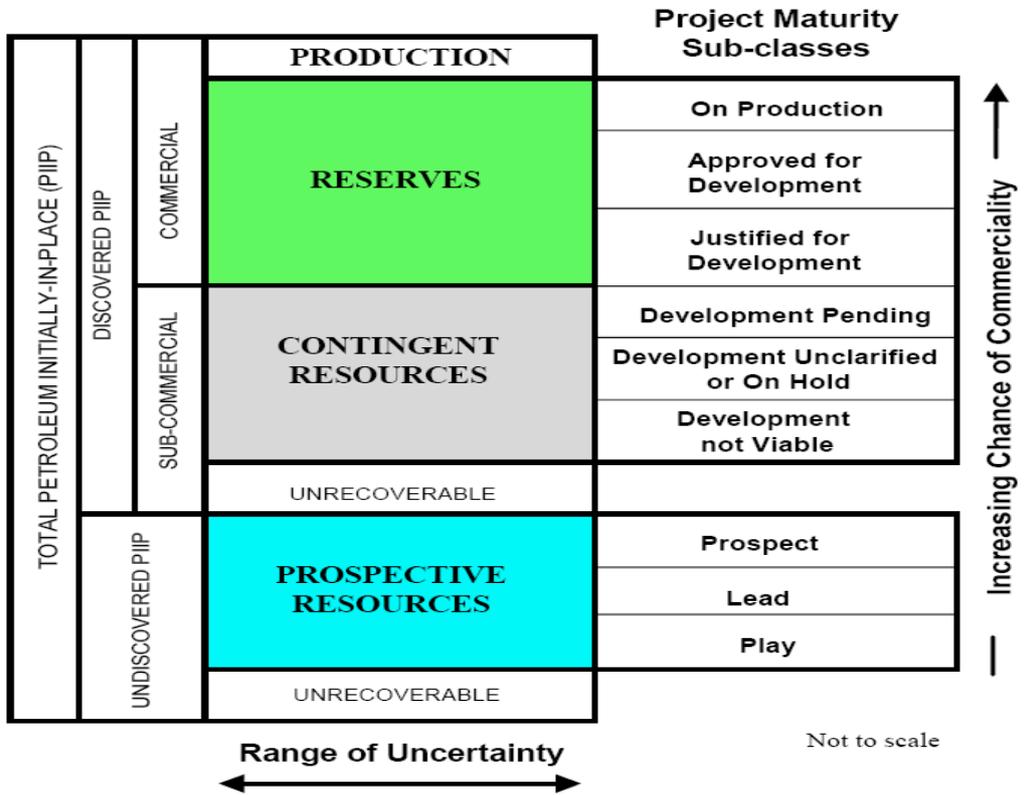
*A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects.*

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.

**RESOURCES CLASSIFICATION**



**PROJECT MATURITY**



**APPENDIX III**

**PRODUCTION AND COST FORECASTS**

## APPENDIX III.1

### OML 4 GROSS PRODUCTION AND COST FORECASTS

#### PROVED

	Oil (Developed) Mstb	Oil (Undev) Mstb	Total Oil Mstb	Sales Gas MMscf	Cond Mstb	Facilities CAPEX U.S.\$ MM	Drilling/ Recompl U.S.\$ MM	OPEX U.S.\$ MM
2011	849	150	999	14,014	60	0	13.0	7.9
2012	1,545	830	2,376	25,537	106	10.0	13.0	19.7
2013	1,362	719	2,082	20,003	82	0	0	20.0
2014	1,201	623	1,824	15,668	64	0	0	20.7
2015	1,058	540	1,599	12,273	49	0	0	21.6
2016	933	468	1,401	9,613	38	0	0	22.8
2017	822	406	1,228	7,530	29	0	0	24.3
2018	725	352	1,076	5,898	22	0	0	30.3
2019	639	305	944	4,620	17	0	0	44.0
2020	563	264	827	3,619	13	0	0	47.0
<b>Total</b>	<b>9,699</b>	<b>4,657</b>	<b>14,356</b>	<b>118,774</b>	<b>479</b>	<b>10</b>	<b>26</b>	<b>258</b>

#### PROVED PLUS PROBABLE

	Total Oil Mstb	Sales Gas MMscf	Cond Mstb	Facilities CAPEX U.S.\$ MM	Drilling/ Recompl U.S.\$ MM	OPEX U.S.\$ MM
2011	1,063	13,713	57	15.0	13.0	8.3
2012	3,655	27,011	106	50.0	44.0	26.1
2013	6,089	26,730	93	30.0	80.0	40.9
2014	7,611	44,899	168	0	0	52.0
2015	7,091	45,458	173	0	0	52.3
2016	6,231	45,895	179	0	0	50.8
2017	5,423	46,227	185	0	0	49.3
2018	4,721	46,479	189	0	0	48.2
2019	4,111	46,671	193	0	0	47.5
2020	3,580	46,885	196	0	0	50.2
2021	3,119	47,423	201	0	0	56.6
2022	2,717	49,444	212	0	0	65.4
2023	2,368	50,940	221	0	0	64.0
2024	2,064	51,965	227	0	0	62.8
2025	1,799	52,669	231	0	0	61.7
2026	1,569	53,151	235	0	0	60.7
2027	1,368	53,736	238	0	0	59.9
2028	1,194	28,387	124	0	0	59.2
2029	1,041	21,039	91	0	0	58.6
2030	708	15,593	68	0	0	57.2
<b>Total</b>	<b>67,522</b>	<b>814,316</b>	<b>3,386</b>	<b>95</b>	<b>137</b>	<b>1,032</b>

#### Notes:

1. CAPEX and OPEX are in 2011 uninflated costs.

2. Gas production may continue to be economic beyond the oil economic limit in 2021 as it is subject to different taxation and costs.

### APPENDIX III.2

## OML 38 GROSS PRODUCTION AND COST FORECASTS

### PROVED

	Oil (Developed) Mstb	Oil (Undev) Mstb	Total Oil Mstb	Sales Gas MMscf	Cond Mstb	Facilities CAPEX U.S.\$ MM	Drilling/ Recompl U.S.\$ MM	OPEX U.S.\$ MM
2011	2,359	219	2,578	272	0	0	0	20.3
2012	3,713	716	4,429	470	0	0	23.0	36.7
2013	2,687	516	3,202	351	0	0	0	30.8
2014	1,945	371	2,317	263	0	0	0	26.3
2015	1,409	267	1,677	198	0	0	0	22.7
2016	1,021	193	1,214	150	0	0	0	19.8
2017	741	139	880	114	0	0	0	17.4
2018	327	79	406	67	0	0	0	11.4
2019	22	0	22	30	0	0	0	1.0
2020	9	0	9	12	0	0	0	0.5
<b>Total</b>	<b>14,232</b>	<b>2,500</b>	<b>16,732</b>	<b>1,926</b>	<b>0</b>	<b>0</b>	<b>23</b>	<b>187</b>

### PROVED PLUS PROBABLE

	Total Oil Mstb	Sales Gas MMscf	Cond Mstb	Facilities CAPEX U.S.\$ MM	Drilling/ Recompl U.S.\$ MM	OPEX U.S.\$ MM
2011	2,621	333	0	0	0	20.4
2012	5,643	695	0	0	34.5	40.3
2013	5,492	663	0	0	49.5	36.9
2014	4,601	555	0	0	0	31.4
2015	3,552	433	0	0	0	26.2
2016	2,701	333	0	0	0	22.0
2017	2,055	257	0	0	0	18.7
2018	1,565	199	0	0	0	16.0
2019	1,193	154	0	0	0	13.8
2020	647	79	0	0	0	9.1
2021	214	23	0	0	0	3.9
<b>Total</b>	<b>30,285</b>	<b>3,725</b>	<b>0</b>	<b>0</b>	<b>84</b>	<b>239</b>

#### Notes:

1. Includes Amukpe and 50% of Ovhor.
2. CAPEX and OPEX are in 2011 uninflated costs

### APPENDIX III.3

#### OML 41 GROSS PRODUCTION FORECASTS

##### PROVED

	Oil (Developed) Mstb	Oil (Undev) Mstb	Total Oil Mstb	Sales Gas MMscf	Cond Mstb	Facilities CAPEX U.S.\$ MM	Drilling/ Recompl U.S.\$ MM	OPEX U.S.\$ MM
2011	3,379	219	3,598	3,964	127	0	0	28.3
2012	5,406	716	6,123	6,678	214	0	23.0	50.7
2013	4,004	516	4,520	5,266	170	0	0	43.5
2014	2,969	371	3,341	4,155	135	0	0	37.9
2015	2,205	267	2,473	3,279	107	0	0	33.5
2016	1,640	193	1,833	2,590	85	0	0	29.9
2017	1,222	139	1,360	2,046	68	0	0	26.9
2018	701	79	779	1,597	54	0	0	21.9
2019	312	0	312	1,241	43	0	0	14.5
2020	194	0	194	961	34	0	0	11.0
<b>Total</b>	<b>22,033</b>	<b>2,500</b>	<b>24,533</b>	<b>31,775</b>	<b>1,035</b>	<b>0</b>	<b>23</b>	<b>298</b>

##### PROVED PLUS PROBABLE

	Total Oil Mstb	Sales Gas MMscf	Cond Mstb	Facilities CAPEX U.S.\$ MM	Drilling/ Recompl U.S.\$ MM	OPEX U.S.\$ MM
2011	3,648	4,204	134	0	0	28.4
2012	8,470	8,794	268	0	60.5	60.5
2013	9,060	9,107	268	0	75.5	60.8
2014	7,588	8,748	268	0	0	51.8
2015	5,822	8,311	268	0	0	43.0
2016	4,428	7,974	268	0	0	36.1
2017	3,371	7,719	268	0	0	30.6
2018	2,569	7,525	268	0	0	26.2
2019	1,959	7,377	268	0	0	22.6
2020	1,243	7,238	268	0	0	17.4
2021	528	6,757	256	0	0	9.6
<b>Total</b>	<b>48,687</b>	<b>83,754</b>	<b>2,805</b>	<b>0</b>	<b>136</b>	<b>387</b>

##### Notes:

1. Includes Sapele and 50% of Ovhor.
2. CAPEX and OPEX are in 2011 uninflated costs.
3. Gas production may continue to be economic beyond the oil economic limit in 2021 as it is subject to different taxation and costs.