THIS CIRCULAR AND THE ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000 ("FSMA") if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your Ordinary Shares, please forward this Circular, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain these documents and consult the bank, stockbroker or other agent through whom the sale was effected.

The distribution of this Circular and/or the accompanying Form of Proxy into jurisdictions other than the United Kingdom may be restricted by local law and therefore persons into whose possession this Circular and/or the Form of Proxy come should inform themselves about, and observe, any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of such jurisdictions.

This document is a circular prepared for the purposes of the General Meeting convened pursuant to the Notice of General Meeting set out in Part X of this document and has been prepared in accordance with the Listing Rules and approved by the Financial Conduct Authority (the "**FCA**"). This Circular is not a prospectus and it does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to sell, dispose of, purchase or subscribe for, any securities.

The Company and the Directors, whose names are set out at the beginning of Part VIII (*Additional Information*), accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of Premier and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

For the purposes of Rule 19.2 of the Takeover Code only, each of the Harbour Responsible Persons, whose names appear on page 226 of this document, accepts responsibility for the information contained in this Circular in relation to each member of the Concert Party. To the best of the knowledge and belief of each of the Harbour Responsible Persons (who have taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Prospectus containing details of the Merger and Debt Restructuring, will not be posted to Shareholders but will be published on the Company's website on or around the date of this Circular. Subject to certain exceptions, Shareholders in the United States and in the other Excluded Territories will not be permitted to access the Prospectus.

PremierOil

PREMIER OIL PLC

(to be renamed HARBOUR ENERGY PLC)

(*Incorporated and registered in Scotland with registered number SC234781*)

PROPOSED MERGER WITH CHRYSAOR AND DEBT RESTRUCTURING

APPROVAL OF WAIVER OF THE OBLIGATION TO MAKE AN OFFER UNDER RULE 9 OF THE CITY CODE ON TAKEOVERS AND MERGERS

NOTICE OF GENERAL MEETING

This Circular and all documents incorporated into it by reference should be read as a whole. Your attention is drawn to the letter from the Chairman which is set out in Part I of this Circular and which contains a recommendation from the Directors that you vote in favour of the Resolutions to be proposed at the General Meeting referred to below. Part II of this Circular entitled "Risk Factors" includes a discussion of certain risk factors which should be taken into account when considering the matters referred to in this Circular.

A Notice of the General Meeting to be held at 23 Lower Belgrave Street, London, SW1W 0NR at 2 p.m. on Tuesday 12 January 2021 is set out in Part X of this document. In light of Covid-19 restrictions, the Directors have put in place a number of practical arrangements in relation to the General Meeting to safeguard the health and wellbeing of its shareholders and employees, whilst giving shareholders the maximum opportunity to have their say. As such, in order to satisfy the minimum quorum requirements pursuant to Article 49 of the Company's Articles of Association, only a small number of the Company's employees will be physically present at the General Meeting. Appropriate social distancing measures will be observed by these attendees. **There will be no other attendees physically present at the General Meeting and shareholders will not be given the opportunity to be physically present at the General Meeting. To enable shareholders to listen to the General Meeting, a webcast facility will be available at www.premier-oil.com. The webcast will be 'listen only'; any questions for the General Meeting should be submitted in advance.**

Given the current restrictions put in place by the UK Government regarding public gatherings, we strongly encourage you to vote electronically or to vote by proxy, as you will be unable to attend and vote at the General Meeting in person. If you wish to vote by proxy, you are asked to complete and return the enclosed

Form of Proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrar by not later than 2 p.m. on Friday 8 January 2021 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). You can submit your proxy via the internet by accessing www.premier-oil-shares.com. If you are a member of CREST you may be able to use the CREST electronic proxy appointment service. In the case of institutional investors you may utilise the Proxymity platform. Proxies sent electronically must be sent as soon as possible and, in any event, so as to be received by not later than 2 p.m. on Friday 8 2021 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). For further details on the General Meeting and the restrictions relating to this, please refer to Part X of this Circular.

As the Merger is classified as a reverse takeover under the Listing Rules, the listing of the Existing Ordinary Shares will be cancelled and applications will be made to the FCA for the Existing Ordinary Shares to be readmitted to the premium listing segment of the Official List and to the London Stock Exchange for the Existing Ordinary Shares to be readmitted to trading on the London Stock Exchange's main market for listed securities (together, "**Readmission**").

Applications will also be made to the FCA for the Consideration Shares and Creditor Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the Consideration Shares and Creditor Shares to be admitted to trading on the London Stock Exchange's main market for listed securities (together, "**Admission**"). Readmission and Admission are expected to take place simultaneously.

Notice to all Shareholders

The contents of this document are not to be construed as legal, business or tax advice. Shareholders should consult their own legal adviser, financial adviser or tax adviser for legal, financial or tax advice.

Neither Premier, Chrysaor nor any of their respective affiliates, directors, officers, employees or agents, is making any representation to any offeree, purchaser or acquirer of any New Ordinary Shares regarding the legality of an investment in New Ordinary Shares by such offeree, purchaser or acquirer under the laws applicable to such offeree, purchaser or acquirer.

Notice to Overseas Shareholders

This Circular does not constitute an offer of securities for sale in the United States or any of the other Excluded Territories. The New Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended, or with any regulatory authority or under the applicable securities laws of any state or other jurisdiction of the United States, or the relevant laws of any state, province or territory of any other Excluded Territories and, subject to certain exceptions, may not be offered, sold, pledged, taken up, resold, transferred or delivered, directly or indirectly, within any of the Excluded Territories except pursuant to an applicable exemption from registration and in compliance with any applicable securities laws and, subject to certain exceptions, may not be offered, sold, pledged, taken up, resold, transferred or delivered, directly or indirectly, in, into or within the United States. There will be no public offer of any New Ordinary Shares in the United States or any of the other Excluded Territories.

Neither the New Ordinary Shares nor this Circular have been recommended, approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of any New Ordinary Shares or the accuracy or adequacy of this Circular. Any representation to the contrary is a criminal offence in the United States.

Distribution of this Circular by any recipient may be restricted or prohibited by US law. Recipients are required to inform themselves of, and comply with, all such restrictions or prohibitions.

This Circular is dated 16 December 2020.

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PRESENTATION OF INFORMATION

FORWARD-LOOKING STATEMENTS

This document incorporates by reference or contains certain statements that are, or may be deemed to be, "forward-looking statements". In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "prepares", "anticipates", "expects", "intends", "may", "will", "would", "could", "target" or "should" or, in each case, their negative or other variations or comparable terminology, but all statements other than statements of historical fact may be forward-looking statements. These forward-looking statements appear in a number of places throughout this document and the information incorporated by reference into this document and include statements regarding the intentions, beliefs or current expectations of the Directors, or Premier or Chrysaor concerning, among other things, the operating results, financial condition, prospects, growth, leverage, strategies and dividend policy of Premier or Chrysaor and the industry in which they operate.

Shareholders should specifically consider the factors identified in this document, which could cause actual results to differ, before making an investment decision. Forward-looking statements are not guarantees of future performance, and such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Premier Group, the Combined Group or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such forward-looking statements are based on beliefs, expectations and assumptions of the Directors and other members of senior management regarding the Premier Group's and the Combined Group's present and future business strategies and the environment in which Premier or the Premier Group or Chrysaor will operate in the future. Although the Directors and other members of senior management believe that these beliefs and assumptions are reasonable, by their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future or are beyond the Premier Group's or the Combined Group's control. The Premier Group's or the Combined Group's actual operating results, financial condition, dividend policy and the development of the oil and gas industry may differ materially from the impression created by the forward-looking statements contained in this document and/or the information incorporated by reference into this document. In addition, even if the operating results, financial condition and dividend policy of the Premier Group and the Combined Group and the development of the oil and gas industry, are consistent with the forward-looking statements contained in this document and/or the information incorporated by reference into this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to, general economic and business conditions, industry trends, competition, changes in government and other regulation, including in relation to the environment, health and safety and taxation, labour relations and work stoppages, changes in political and economic stability and changes in business strategy or development plans and other risks. Such risks, uncertainties and other factors are set out more fully in the section headed "Risk Factors".

Shareholders should carefully review the section of this document entitled "Risk Factors" for a discussion of factors that could cause the Premier Group's and the Combined Group's actual results to differ materially from those expected before making an investment decision. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document and/or the information incorporated by reference into this document may not occur.

These forward-looking statements speak only as at the date of this document. Except as required by the FCA, the London Stock Exchange or applicable law (including as may be required by the FCA's Listing Rules, the Disclosure Guidance and Transparency Rules and the Prospectus Regulation Rules), Premier and Chrysaor expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document, whether as a result of any change in events, conditions or circumstances or otherwise on which any such statement is based. As at the date of this document, there are no outstanding profit forecasts or estimates.

PROFIT FORECASTS

Unless otherwise stated, no statement in this document is intended as a profit forecast or estimate and no statement in this document should be interpreted to mean that earnings per share for the most recent, current or future financial years would necessarily match or exceed the historical published earnings per share.

PRESENTATION OF RESERVES AND RESOURCES

Unless otherwise stated, statements in this document relating to the reserves and resources attributed to the Premier Group, the Chrysaor Group or the Combined Group have been prepared using the classification system set out in the Petroleum Resources Management System published in 2007 and jointly sponsored by the Society of Petroleum Engineers, the American Association of Petroleum Geologists, the World Petroleum Council and the Society of Petroleum Evaluation Engineers, as updated by the Society of Petroleum Engineers in 2018. These standards of reporting may be different from those adopted in the United States and other jurisdictions. Shareholders, therefore, should not assume that the data found in the reserves and resources information set forth in this document is directly comparable to similar information that has been prepared in accordance with the reserve and resource reporting standards of other jurisdictions.

All references to "reserves" are to proved plus probable ("**2P reserves**") and all references to "contingent resources" are to discovered hydrocarbons that are potentially recoverable ("**2C resources**") but not yet considered mature enough for commercial development due to technological or business hurdles (e.g. all required internal and external approvals are not yet in place).

The accuracy of reserves estimates and associated economic analysis is, in part, a function of the quality and quantity of available data and of engineering and geological interpretation and judgment. This document should be accepted with the understanding that reserves, resources and financial performance subsequent to the date of the estimates may necessitate revision. These revisions may be material. Unless otherwise stated, all information about the oil and gas reserves and resources attributable to the Chrysaor Group, and forward-looking production estimates and other geological information in relation thereto, has been extracted without material adjustment from the Chrysaor CPR, which is incorporated by reference into this Circular. Unless otherwise stated, all information about the oil and gas reserves and resources attributable to the Premier Group, and forward-looking production estimates and other geological information in relation thereto, has been extracted without material adjustment from the Premier Group's 2019 Annual Report and Financial Statements.

NO INCORPORATION OF WEBSITE INFORMATION

Neither the contents of Premier's or Chrysaor's website nor the content of any website accessible from hyperlinks on Premier's or Chrysaor's website is incorporated into, or forms part of, this document and Shareholders should not rely on them, without prejudice to the documents incorporated by reference into this document which will be made available on Premier's or Chrysaor's website.

THIRD PARTY INFORMATION

Premier confirms that all third party information contained in this document has been accurately reproduced and, as far as Premier is aware and is able to ascertain from information published by that party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information is cited in this document, the source of such information is identified.

DEFINITIONS

Certain terms used in this document, including capitalised terms and certain technical terms, are defined and explained in the "Definitions" section, which is contained in Part IX (*Definitions*) of this Circular.

ROUNDING

Percentages and certain amounts included in this document have been rounded for ease of presentation. Accordingly, figures shown as totals in certain tables may not be the precise sum of the figures that precede them.

CURRENCIES

Unless otherwise indicated in this document, all references to:

- "**pounds sterling**" or "**£**" or "**pence**" are to the lawful currency of the UK;
- "**US dollars**", "**dollars**", "**US$**", "**$**" or "**cents**" are to the lawful currency of the United States; and
- "**euro**" or "**€**" are to the lawful currency of the European Union (as adopted by certain member states).

Unless otherwise indicated, the financial information contained in this document has been expressed in US dollars. The Premier Group presents its financial statements in US dollars.

CHRYSAOR INFORMATION

The information in this document relating to the Chrysaor Group and ConocoPhillips has been provided by the board of directors of Chrysaor.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates in the table below is indicative only and may be subject to change.

Announcement of the Merger and Debt Restructuring	6 October 2020
Publication and posting of this document, the Circular, the Notice of General Meeting and Forms of Proxy	**16 December 2020**
Latest time and date for receipt of Forms of Proxy	2 p.m. on 8 January 2021
General Meeting	**12 January 2021**
English Court hearing to convene the English Restructuring Plan Creditor Meetings	**19 January 2021**
Scottish Court hearing to convene the Scottish Restructuring Plan Creditor Meetings	**25 January 2021**
Latest time and date for receipt of proxy and election forms and account holder letters in respect of voting and elections by Restructuring Plan Creditors in connection with the Debt Restructuring	**18 February 2021**
Restructuring Plan Creditor Meetings	**22 February 2021**
English Court hearing to sanction the English Restructuring Plan	**9 March 2021**
Scottish Court hearing to sanction the Scottish Restructuring Plans	**19 March 2021**
Subdivision Record Date	25 March 2021
Existing Ordinary Shares subdivided into Ordinary Shares and Non-Voting Deferred Shares	26 March 2021
Readmission and Admission and dealings in New Ordinary Shares, fully paid, commence on the London Stock Exchange	**by 8.00 a.m. on 29 March 2021**
New Ordinary Shares issued in connection with the Merger and the Debt Restructuring credited to CREST accounts (uncertificated holders only)	as soon as practicable after 8.00 a.m. on 29 March 2021
Completion of the Merger, Rule 9 Waiver and Debt Restructuring becomes effective	**29 March 2021**

Notes:

(1) These times and dates and those mentioned throughout this document may be adjusted by Premier in consultation with Chrysaor and the Sponsor, in which event details of the new times and dates will be notified to the FCA, the London Stock Exchange and, where appropriate, Shareholders.

(2) References to times in this timetable are to London time.

(3) The timing of completion of the Merger and the Debt Restructuring remains uncertain and subject to the satisfaction or waiver of certain conditions contained in the Merger Agreement, including the receipt of certain regulatory consents and competition clearances, details of which are set out in Part II (*Terms and Conditions of the Merger*) of this Circular.

(4) The timing of the dates relating to the Subdivision is also uncertain and may change in light of the timing of completion of the Merger and the Debt Restructuring.

PART I – LETTER FROM THE CHAIRMAN OF PREMIER

PremierOil

(Incorporated and registered in Scotland with registered number SC234781)

Directors	*Registered Office:*
Roy A Franklin (*Non-Executive Chairman*)	4th Floor
Richard Rose (*Interim Chief Executive Officer and Finance Director*)	Saltire Court
Dave Blackwood (*Non-Executive Director*)	20 Castle Terrace
Anne Marie Cannon (*Senior Independent Non-Executive Director*)	Edinburgh EH1 2EN
Iain Macdonald (*Non-Executive Director*)	
Mike Wheeler (*Non-Executive Director*)	
Elisabeth Proust (*Non-Executive Director*)	

Each of the Directors (other than Anne Marie Cannon)
are expected to resign from the Board with effect from completion of the Merger
and the Debt Restructuring, at which point, the following individuals will be
appointed to the Board:

Linda Cook (*Chief Executive Officer designate*)
Phil Kirk (*President; Chief Executive Officer, Europe designate*)
R. Blair Thomas (*Chairman designate*)
G. Steven Farris (*Non-Executive Director designate*)
Simon Henry (*Senior Independent Non-Executive Director designate*)
Anne Stevens (*Independent Non-Executive Director designate*)

16 December 2020

To: the holders of Ordinary Shares and, for information only, warrant holders

Dear Shareholder,

Recommended proposals in relation to the Merger, Rule 9 Waiver and Debt Restructuring

1. Your vote matters – vote in favour of the Merger, Whitewash and Debt Restructuring Resolutions at the General Meeting

I am going to turn convention on its head and start this letter with its traditional punchline before explaining how your Board has reached this conclusion.

It is critical that Shareholders vote in favour of the Merger, Whitewash and Debt Restructuring Resolutions at the General Meeting so that the Merger, Rule 9 Waiver and the Debt Restructuring can proceed.

As shareholders are aware, prior to the announcement on 6 October 2020 of a proposed all-share merger between Premier and Chrysaor (referred to in this document as the Merger) and the reorganisation of Premier's Existing Debt Facilities and XCCY Swaps (referred to in this document as the Debt Restructuring), Premier had been in discussions with its creditors and hedge counterparties for some time regarding the refinancing of its Existing Debt Facilities due to their upcoming maturity date of 31 May 2021.

On 20 August 2020, Premier announced it had agreed with a subset of its largest existing creditors a heads of terms for a long term refinancing of the Premier Group's Existing Debt Facilities, which included an equity raise of up to US$530 million (the "**Standalone Refinancing**"). In addition, on 15 September 2020, Premier confirmed that, in parallel to seeking creditor approval for the proposed refinancing, it was in discussions with a number of third parties, including Chrysaor, regarding alternative long term refinancing solutions.

Taking into account the challenging macroeconomic conditions, and following discussions with a subset of Premier's largest creditors, the Board announced on 6 October 2020 that the Merger with Chrysaor provided broadly comparable value for shareholders as compared to the Standalone

Refinancing, with greater execution certainty. On 3 November, the Board subsequently announced that the Company had received the requisite level of support from each class of its creditors for the Merger and Debt Restructuring, with those creditors entering into a binding Support Letter. As such, the Company is no longer in a position to pursue the Standalone Refinancing, and as a result, shareholders must choose between voting for the Merger and the Debt Restructuring or leaving the Company to implement an alternative plan or transaction which would likely be materially worse for shareholders than the Merger and the Debt Restructuring, and may well involve no value being returned to shareholders.

I apologise in advance, for the length of this letter, but as you will see as you read on, the matters discussed are complex and require careful explanation. This letter will set out both the benefits to Shareholders of the Merger, as well as the consequences to Shareholders if the Debt Restructuring does not complete.

In deciding whether or not to vote in favour of the Merger, Whitewash and Debt Restructuring Resolutions at the General Meeting, Shareholders should take into consideration, among other things, that:

- the Premier Group is currently dependent upon the ongoing support of a significant group of its creditors to continue as a going concern;
- if the Merger, Whitewash and Debt Restructuring Resolutions were not approved, the ability of the Group to continue trading would depend upon Premier being able to negotiate either an alternative plan to implement the Merger and the Debt Restructuring with its creditors and Chrysaor or an alternative transaction to address its debt facilities with its creditors;
- there can be no guarantee that any alternative plan or transaction would be agreed, and in any event, it is likely that such an alternative plan or transaction would be materially worse for shareholders than the Merger and the Debt Restructuring, and may well involve no value being returned to shareholders;
- any alternative plan or alternative transaction would need to be agreed quickly and it is likely that Premier would need to secure financial covenant waivers from its creditors before any such plan or transaction could be agreed; and
- if Premier cannot negotiate an alternative plan or transaction, Premier would likely enter into insolvency proceedings on or before 31 May 2021 (or, if the Interim Maturity Extension is implemented, 31 March 2022), which the Directors consider would likely result in no value being returned to Shareholders. This is because even if the Interim Maturity Extension is implemented, the Premier Group would be dependent on continued deferrals of its financial covenants from a significant portion of its creditors in order to continue to trade. Even if Premier is able to secure financial covenant deferrals for the period until 31 May 2021 (or, if the Interim Maturity Extension is implemented, 31 March 2022), the Directors do not consider that the Premier Group would be able to repay its outstanding debt when it matures on that date.

The Directors consider the Merger and the Debt Restructuring to be in the best interests of the Company and its Shareholders taken as a whole. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Resolutions, as the Directors intend to do (or procure to be done), in respect of their beneficial holdings, which amount to 562,568 Existing Ordinary Shares in aggregate as at the Latest Practicable Date (representing approximately 0.06 per cent. of Premier's issued share capital at the Latest Practicable Date).

Details on how to vote at the General Meeting or at any adjournment thereof are set out in paragraph 9 of this Part I (*Letter from the Chairman* of *Premier*).

Given that the General Meeting is an opportunity for shareholders to ask questions of the Board in relation to the business of the General Meeting, the Resolutions and the Company's operations, the Company is keen to ensure that this dialogue continues, despite the challenges faced by COVID-19 and COVID-19 related restrictions. The Company will therefore be accepting questions for the General Meeting via email (investor.relations@premier-oil.com) or, alternatively, written questions by post sent to the Company's Registrar, Link Asset Services.

Any questions to be put to the General Meeting should be submitted by the close of business on Friday 8 January 2021. Given the current COVID-19 restrictions, I strongly encourage you to vote electronically or to vote by proxy, as you will be unable to attend and vote at the General Meeting in person. For further details on asking questions at the General Meeting, please refer to Part X (Notice of General Meeting) of this Circular.

1.1 Introduction

In order to effect the Merger, Premier will acquire Chrysaor in consideration for the issue of 14,253,203,210 new Ordinary Shares to Chrysaor's shareholders at completion of the Merger (referred to in this Prospectus as the Consideration Shares). Following completion of the Merger and the Debt Restructuring, the Combined Group will be renamed "Harbour Energy plc".

As part of the Debt Restructuring, the Restructuring Plan Creditors will receive an upfront cash payment of US$1.23 billion (subject to certain adjustments) in satisfaction of part of the Premier Group's Existing Debt Facilities and XCCY Swaps (the "**Upfront Cash Consideration**") and Premier will issue up to 3,331,917,634 new Ordinary Shares to the Restructuring Plan Creditors (the "**Creditor Shares**") or, for Senior Creditors and Senior XCCY Hedge Counterparties which so elect, a further cash payment the aggregate amount of which is capped at approximately US$175 million (the "**Partial Cash Alternative**"), to satisfy the balance of the Premier Group's Existing Debt Facilities and XCCY Swaps. If the Partial Cash Alternative is oversubscribed, the amount payable to Senior Creditors and Senior XCCY Hedge Counterparties choosing this option would be scaled down on a *pro rata* basis, and those Senior Creditors and Senior XCCY Hedge Counterparties would be entitled to receive Creditor Shares or, subject to the satisfaction of certain eligibility requirements receive up to 148,085,228 New Equity Warrants in respect of the amount which they do not receive in cash due to the oversubscription. Taking into account the Upfront Cash Consideration, the Partial Cash Alternative and the current market value of Premier's Ordinary Shares, Restructuring Plan Creditors (on average) will not receive a full par recovery on their claims under the Existing Debt Facilities and XCCY Swaps by virtue of the Debt Restructuring.

The cash payments to Restructuring Plan Creditors will be funded through a combination of the Premier Group's and the Chrysaor Group's existing cash balances and a US$4.5 billion reserve based lending facility (the "**New RBL Facility**") entered into with, among others, Bank of Montreal (London Branch), BNP Paribas, DNB (UK) Limited and Lloyds Bank plc. The Upfront Cash Consideration will be subject to certain adjustments, including to reflect drawdowns and repayments of the Premier Group's debt from and including 1 July 2020 to completion of the Debt Restructuring. Further details regarding the New RBL Facility are included within section 6 of Part IV (*Details of the Debt Restructuring*) below.

The Debt Restructuring also involves the cancellation of all undrawn commitments under the Premier Group's Existing Debt Facilities, and the replacement of the Premier Group's outstanding letters of credit of approximately US$400 million. As part of the Debt Restructuring, eligible Senior Creditors and Senior XCCY Hedge Counterparties will also be invited to subscribe in cash at US$0.1144 per share for those Creditor Shares which would have been issued to Senior Creditors and Senior XCCY Hedge Counterparties had they not elected to take the Partial Cash Alternative (the "**Top-Up Election**"). Further details regarding the Debt Restructuring are set out in Part IV (*Details of the Debt Restructuring*) of this Circular.

The Debt Restructuring (other than the Interim Maturity Extension described below) is inter-conditional with, and would only take place upon completion of, the Merger. In order to allow time for the Merger to complete, or alternatively in the event the Merger, Whitewash and Debt Restructuring Resolutions are not passed to agree and implement an alternative plan for implementation of the Merger and the Debt Restructuring or, if that is not possible, an alternative transaction to address the Existing Debt Facilities, the Debt Restructuring would also involve, at the Premier Group's option (but subject to the conditions described in paragraph 4.3 of this Part I (*Letter from the Chairman of Premier*)), an extension of the existing maturity date of the Existing Debt Facilities and XCCY Swaps from 31 May 2021 to 31 March 2022 (the "**Interim Maturity Extension**"). If the Merger and the Debt Restructuring proceed in accordance with the Expected Timetable of Principal Events (as set out above), then the Interim Maturity Extension would not be necessary and would not come into effect.

Immediately following completion of the Merger and the Debt Restructuring, and assuming full take up by Restructuring Plan Creditors of the Partial Cash Alternative and assuming no Top-Up Election, the shares in the Company would be held as follows:

- Harbour North Sea Holdings, Ltd. ("**Harbour North Sea**"), its concert parties and other Chrysaor shareholders: 83.92 per cent (of which Harbour North Sea together with its concert parties: 40.42 per cent); and
- Premier stakeholders: 16.08 per cent, comprising: (i) Premier shareholders: 5.45 per cent; and (ii) Restructuring Plan Creditors: 10.63 per cent.

Immediately following completion of the Merger and the Debt Restructuring, and assuming no take up by Restructuring Plan Creditors of the Partial Cash Alternative, the shares in the Combined Group would be held as follows:

- Harbour North Sea, its concert parties and other Chrysaor shareholders: 77 per cent (of which Harbour North Sea together with its concert parties: 37.09 per cent); and
- Premier stakeholders: 23 per cent, comprising: (i) Premier shareholders: 5 per cent, and (ii) Restructuring Plan Creditors: 18 per cent.

The allocation of Consideration Shares among Chrysaor Shareholders, including Harbour North Sea together with its concert parties, will depend on the value of those Consideration Shares in the period up to Completion.

The principal terms of the Merger are described in more detail in Part III (*Terms and Conditions of the Merger*) of this document.

The Merger and the Debt Restructuring (other than the Interim Maturity Extension) are inter-conditional. The Debt Restructuring is a consensual restructuring of Premier, which is urgently required to address the Existing Debt Facilities and XCCY Swaps which currently mature on 31 May 2021. The Merger and the Debt Restructuring also provide the opportunity to transition to a more sustainable debt structure with the New RBL Facility and the significantly expanded borrowing base represented by the Combined Group. The Debt Restructuring is also required to avoid a default under the Existing Debt Facilities and XCCY Swaps. Such a default, were it to occur, would be expected to have material adverse consequences for all stakeholders and, in particular, for existing Shareholders. Paragraph 14 of Part I of this document explains the potential implications of a default in so far as Shareholders are concerned, and why the Directors consider that the Merger and the Debt Restructuring are in the best interests of the Company and the Shareholders as a whole.

1.2 Benefits of the Merger

The Merger would create the largest independent oil and gas company listed on the London Stock Exchange and would result in a financially strong enterprise committed to value creation for all stakeholders. The Directors believe the Combined Group would possess scale, a diverse asset portfolio, deep organizational competence, a strong balance sheet, the cash flow to grow through existing and new investment opportunities in the UK and internationally, and resilience to commodity price cycles. Together these attributes would enable the company to compete effectively amongst a group of international peers and aspire to a leadership position in ESG.

The Directors believe the Merger would:

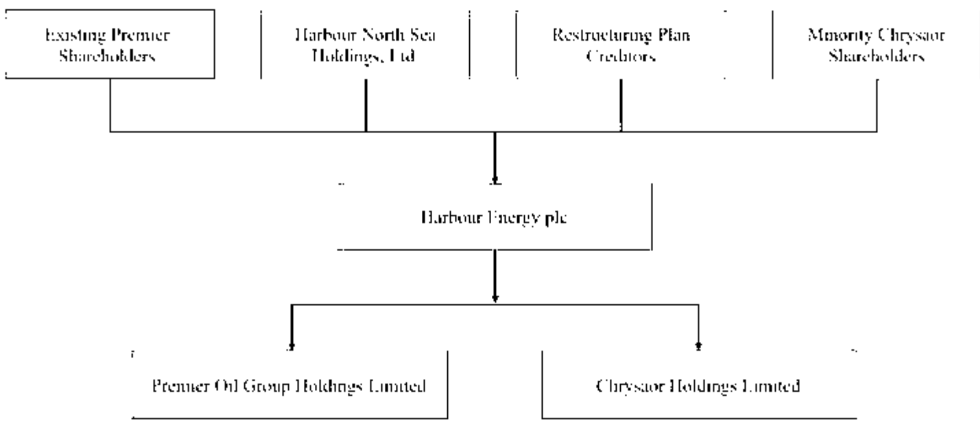
- bring together two complementary businesses to create the largest London-listed independent oil and gas company by production and reserves, including:
  - combined production as at 30 June 2020 of over 250 kboepd and 2P reserves of 717 mmboe, alongside 2020 H1 revenue of US$1.76 billion and EBITDAX of US$1.27 billion
- result in significant scale and diversification through the combination of material interests in multiple cash generative production hubs in the UK North Sea including
  - operated positions in Britannia, J-Area, AELE, Catcher and Tolmount, as well as non-operated equity in other key hubs including Clair, Buzzard, Beryl, Elgin-Franklin and Schiehallion
- create the foundation for a more geographically balanced portfolio with growth potential in Southeast Asia and Latin America, building on Premier's existing global footprint

  - the strengthened financial position would enable funding for attractive organic and inorganic investment opportunities internationally with the aim of supplementing existing assets in Indonesia, Vietnam, Mexico, the Falkland Islands and Brazil in order to achieve scale in Southeast Asia and Latin America

- create a business with competitive low-cost production and resilience to compete in a low commodity price environment
  - the Combined Group will have competitive operating costs which rank in the top quartile of its leading European listed independent oil and gas peer group companies, alongside a high degree of operating control (the Combined Group will operate 63 per cent. of its assets by reserves), which would provide the opportunity to pursue further cost efficiencies across the portfolio
- transform Premier's financial position, to deliver a Combined Group with a strong and sustainable financing structure
  - the Combined Group would benefit from a strong balance sheet alongside a simplified capital structure; accounting net debt (excluding Letters of Credit) is expected to be approximately US$3.2 billion on completion (assuming full take up of the Partial Cash Alternative by Restructuring Plan Creditors), bringing leverage ratios in line with the leading European listed independent oil and gas companies
- create a business with the potential to offer a meaningful dividend for shareholders over time
  - it is expected that the Combined Group would generate sufficient free cash flow to support shareholder returns including via a sustainable dividend which, subject to market conditions and Board approval, would be introduced with respect to the financial year ending December 2021
- create potential to realise substantial operational and financial synergies
  - including through the opportunity for improved capital allocation driving higher returns across the portfolio, various operational and other efficiencies in the UK North Sea, corporate level cost savings and lower financing costs
- create a business committed to ESG leadership including strategies to further address the carbon footprint of its operations in order to position itself for the energy transition
  - the Combined Group would have a lower carbon intensity than the average of UK oil and gas producers, with targets in place for further improvement and a commitment to achieving 'Net Zero' from a greenhouse gas emissions standpoint by 2035.

1.3 Structure of the Combined Group

The organisational chart below provides a simplified illustration of the legal structure of the Combined Group as upon completion of the Merger.



1.4 Harbour North Sea Rule 9 Waiver

It is anticipated that, immediately following Completion, Harbour North Sea, as the largest shareholder of Chrysaor, together with its concert parties, as determined in accordance with the Takeover Code, will hold up to 40.42 per cent. of the Ordinary Shares of the Combined Group (depending on take up by Senior Creditors and Senior XCCY Hedge Counterparties of the Partial Cash Alternative and assuming no subscription by eligible Restructuring Plan Creditors for the Top-Up Election). However, as the allocation of Consideration Shares among Chrysaor Shareholders, including Harbour North Sea together with its concert parties, will depend on the value of those Consideration Shares in the period up to Completion, the maximum holding of the Concert Party could be 45.14 per cent. of the Enlarged Share Capital, assuming full take up of the Partial Cash Alternative, no subscription of the Top-Up Election and the exercise in full of the Buyback Authority over the Ordinary Shares not held by members of the Concert Party. As a consequence, since this exceeds the 30 per cent. trigger for a mandatory offer under the Takeover Code, the Merger is also conditional on a Rule 9 whitewash waiver from the Takeover Panel in order to disapply mandatory offer requirements. This Rule 9 Waiver will require approval by Premier's independent shareholders at the General Meeting. Further details of the concert party and the Rule 9 Waiver are set out in Part V (*Details of the Takeover Panel Rule 9 Waiver and whitewash*).

Harbour North Sea's shares will be subject to a twelve-month lock-up from completion and a further twelve-month orderly marketing covenant. Shares held by certain Chrysaor minority shareholders will be subject to a six-month lock-up from completion and an orderly marketing covenant.

Due to the size of its shareholding in the Combined Group, Harbour North Sea will hold more than 30 per cent. of the shares of the Combined Group and will, therefore, be deemed a controlling shareholder for the purposes of the Listing Rules. As a result, Premier will enter into a relationship agreement prior to the completion of the Merger (but conditional on Admission) with Harbour North Sea (the "**Relationship Agreement**"). Notwithstanding Harbour North Sea's position as a controlling shareholder, the Directors believe that the Combined Group will be able to carry on as an independent business for the purpose of the Listing Rules.

The Relationship Agreement will take effect on Admission and will continue in force unless and until Harbour North Sea and its affiliates cease to own at least ten per cent. or more of the Ordinary Shares or the voting rights attaching to the Ordinary Shares. Harbour North Sea may terminate the Relationship Agreement in certain circumstances, including where the Ordinary Shares cease to be admitted to the premium listing segment of the Official List and cease to be admitted to trading to the London Stock Exchange's main market for listed securities. In addition, the Relationship Agreement shall comply with the independence provisions set out in Listing Rules 6.5.4R and 9.2.2GR.

Under the Relationship Agreement, Harbour North Sea undertakes that it shall not (and shall procure that its associates will not):

(A) take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules;

(B) propose or procure the proposal of a shareholder resolution of the Company which is intended or appears to be intended to circumvent the proper application of the Listing Rules;

(C) exercise any of its voting rights in the Company in a way that would be inconsistent with, or breach any of the provisions of, the Relationship Agreement;

(D) influence the day-to-day running of the Company at an operational level and shall allow the Company to operate on an independent basis;

(E) vote its Ordinary Shares and shall use its reasonable endeavors to procure that any director appointed by it does not vote his or her shares in a manner that would prevent the Company from operating and making decisions for the benefit of shareholders of the Company as a whole; and

(F) act in a manner which would be inconsistent with the independence of the Board being maintained in accordance with the rules of the London Stock Exchange or the FCA applicable to the Company, including the Listing Rules and the Corporate Governance Code.

Other than Harbour North Sea, the Combined Group is not expected to have any other controlling shareholders at Admission and Readmission.

1.5 Application of the Listing Rules

Due to the size of the Merger relative to the size of Premier, the Merger is classified as a reverse takeover of Premier pursuant to the Listing Rules. As a result of the Merger's classification as a reverse takeover pursuant to the Listing Rules, Premier will, through the Sponsor, apply to the FCA and to the London Stock Exchange for:

(A) the current listing of the Existing Ordinary Shares to be cancelled and the Existing Ordinary Shares to be readmitted upon completion of the Merger to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange;

(B) the Consideration Shares to be admitted upon completion of the Merger to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange; and

(C) the Creditor Shares (including Creditor Shares pursuant to the Top-Up Election) to be admitted upon completion of the Debt Restructuring to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange.

Given that the completion of the Merger is conditional on Admission, if Admission does not occur, completion of the Merger will not take place and the Merger Agreement will terminate. The completion of the Debt Restructuring (other than the Interim Maturity Extension) and the completion of the Merger are inter-conditional and so if completion of the Merger does not take place the Creditor Shares will not be issued and the Debt Restructuring will not occur.

The Merger, due to its classification as a reverse takeover of Premier pursuant to the Listing Rules, requires the approval of Shareholders. The Notice of General Meeting, at Part X of this Circular, provides further details regarding the Resolutions to be proposed at the General Meeting.

1.6 Creditor approval

Premier is seeking consent from Restructuring Plan Creditors for the Debt Restructuring by means of Court-approved Restructuring Plans. Restructuring Plan Creditors will be invited to vote in favour of the Restructuring Plans at the Creditor Meetings, expected to be held on 22 February 2021.

Each Restructuring Plan requires approval from either (i) 75 per cent. in value of each class of Restructuring Plan Creditors in that Restructuring Plan, or (ii) 75 per cent. in value of at least one class of Restructuring Plan Creditors in that Restructuring Plan who would receive a payment, or have a genuine economic interest in Premier, POUK or POHL (as relevant) in the event of the relevant alternative to that Restructuring Plan, present and voting either in person or by proxy at the relevant meeting ordered to be summoned by (in the case of Premier and POUK) the Scottish Court and (in the case of POHL) the English Court. If (ii) applies, then the Scottish Court and the English Court (as applicable) may only sanction the Restructuring Plans if, among other things, none of the members of the dissenting class of classes of Restructuring Plan Creditors would be any worse off under the Restructuring Plan than they would be in the event of the relevant alternative.

The classes of Restructuring Plan Creditors in each Restructuring Plan are:

(A) Super Senior XCCY Restructuring Plan Creditors;

(B) Super Senior RCF/LC Restructuring Plan Creditors; and

(C) Senior Restructuring Plan Creditors.

Super Senior XCCY Restructuring Plan Creditors representing 100 per cent. of the aggregate of the estimated Super Senior XCCY Exposures as at 30 November 2020, Super Senior RCF/LC Restructuring Plan Creditors representing 92 per cent. of the aggregate outstanding commitments under the Super Senior Secured RCF/LC Facilities and Senior Restructuring Plan Creditors representing 86 per cent. of the aggregate of (i) outstanding commitments under the Senior Secured Debt Facilities, and (ii) the aggregate of the Senior XCCY Exposures, have entered into the Support Letter (the terms of which are described in section 5.1 of Part VIII (*Additional Information*)) whereby they have undertaken to support the Debt Restructuring, including by voting in favour of the Restructuring Plans.

The Non-XCCY Hedge Counterparties have undertaken to consent to the aspects of the Debt Restructuring which require their consent, having respectively entered into separate support letters.

1.7 Admission

The Company intends to proceed with the completion of the Merger and the Debt Restructuring, and to apply for the admission of the New Ordinary Shares in connection therewith for listing on the premium listing segment of the FCA's Official List and admission to trading on the main market of the London Stock Exchange, as soon as reasonably practicable once: (i) each of the Restructuring Plans has been sanctioned by the relevant Courts and delivered to Companies House; and (ii) all of the other conditions to the completion of the Merger have been satisfied (save for those relating to Admission).

2. Background to the Merger and the Debt Restructuring

Prior to the announcement of the Merger and the Debt Restructuring on 6 October 2020, Premier had undertaken extensive discussions with potential lenders about the possibility of refinancing its Existing Debt Facilities and the XCCY Swaps in their entirety through a new secured RBL facility and subordinated public debt instrument. However, Premier concluded, based on those discussions that the Premier Group's combined debt capacity under such facility and such instruments would be significantly lower than the Premier Group's current debt levels. Given the fully secured nature of the Premier Group's existing capital structure and the complex intercreditor arrangements that were put in place as part of the 2017 Refinancing, the Directors considered that it would not be possible to refinance only part of the Existing Debt Facilities and the XCCY Swaps through third party facilities prior to their existing maturity on 31 May 2021 (the "**Existing Maturity Date**"). In the absence of other options to refinance the Existing Debt Facilities and the XCCY Swaps in part or in full, the Premier Group concluded that the appropriate course was to seek an extension of the Existing Maturity Date, which it attempted to do through the schemes of arrangement proposed by Premier and POUK with certain of their creditors earlier this year (the "**2020 Schemes**").

Under the 2020 Schemes the Premier Group sought to implement a transaction which, had it gone ahead, would have involved the acquisition of the Andrew and Shearwater assets in the North Sea from BP and an additional interest in the Tolmount field, the funding of those acquisitions through a US$500 million equity raise, and an extension of the Existing Maturity Date to 30 November 2023. The intention had been that successful implementation of that transaction (each element of which was inter-conditional on the others) would have created a period in which the Premier Group could continue to deleverage its balance sheet and seek to increase its debt capacity, with a view to being able to refinance through new third party debt facilities on or before 30 November 2023.

Although the 2020 Schemes were actively opposed by one of the Premier Group's creditors, ARCM, they were approved by the requisite majorities of scheme creditors on 12 February 2020 and were sanctioned by the Scottish Court on 29 April 2020. However, as a result of the collapse in commodity prices due to factors including COVID-19, implementation of the acquisitions and the equity raise contemplated by the 2020 Schemes ceased to be commercially viable and the documentation executed in connection with the 2020 Schemes terminated in accordance with its terms. That in turn meant, due to the inter-conditional terms of the transaction, that the extension of the Existing Maturity Date to 30 November 2023 did not take place.

As a result of the collapse in commodity prices, and despite actions taken by the Premier Group to reduce costs, the Premier Group forecasted breaches of its financial covenants contained within the Override Agreement in respect of the testing period ended 30 June 2020. To address this, on 8 July 2020 the Premier Group entered into a stable platform agreement (the "**Stable Platform Agreement**") with the requisite majorities of its private creditors (being the creditors under the Existing Debt Facilities other than the Retail Bondholders) which, subject to certain conditions, waived those financial covenants until 30 September 2020 (excluding in relation to the testing period ended on 30 September 2020).

The Premier Group's financial statements for the testing period ended 30 June 2020 subsequently showed that the Premier Group would have breached the financial covenants under the Override Agreement if they had not been temporarily waived pursuant to the Stable Platform Agreement. Pursuant to a consent letter dated 29 September 2020, the Stable Platform Agreement (including the financial covenant waivers thereunder) was extended to 5 November 2020, such that it covered the testing period ended on 30 September 2020 as well as the one ended on 30 June 2020. The Stable Platform Agreement was subsequently terminated and replaced with the Support Letter, which provides a waiver for the financial covenants contained in the Override Agreement in respect of the testing periods ended on 30 June 2020 and 30 September 2020 and any testing period ending during the period in which the Support Letter is in force.

In parallel with negotiating and signing the Stable Platform Agreement, Premier continued to engage with a subset of its largest creditors on options to address the Existing Maturity Date. These negotiations were led on the creditor side by the IWG and ARCM. As part of the discussions that took place, a range of possible options was considered. One option which emerged (the "**Standalone Transaction**") was an extension of the Existing Maturity Date until 31 March 2025, which would be supported by an equity raise of up to US$530 million via a placing and open offer and the acquisition from BP of the Andrew or Andrew and Shearwater assets on amended terms. Up to a maximum of US$205 million of the equity raise would be underwritten by the creditors under the Existing Debt Facilities, who would convert a *pro rata* portion of their debt claims into new ordinary shares in the Company to the extent that the equity raise was not fully subscribed. Certain other amendments would also be made to the Existing Debt Facilities, including a reset of the financial covenants under the Override Agreement and the repricing of the Existing Debt Facilities.

On 20 August 2020 Premier announced that it had agreed heads of terms for the Standalone Transaction with a sub-set of its creditors, being the IWG members and ARCM. The announcement stated that the Standalone Transaction remained subject to a number of matters, including shareholder approval, finalisation of a detailed term sheet for credit approval processes, long-form documentation, the implementation through restructuring plans under Part 26A of the Companies Act 2006 and total take-up under the equity raise being not less than US$325 million. A detailed term sheet for the Standalone Transaction was subsequently finalised and posted to the Private Creditors and the XCCY Hedge Counterparties on 9 September 2020, who were invited to enter into a support letter whereby they would undertake (among other things) to support the Standalone Transaction and vote in favour of the restructuring plans.

In parallel to developing and progressing the Standalone Transaction, and as required by the terms of the Stable Platform Agreement, the Company ran a process to determine whether a strategic investor might be interested in investing in the Premier Group. As part of this process, the Company invited six potential strategic investors, including Chrysaor, to submit an expression of interest regarding the subscription for a significant minority stake in the Company. Two potential strategic investors (including Chrysaor) submitted an expression of interest; however, instead of indicating an interest in subscribing for a minority stake, Chrysaor proposed a merger of the Premier Group and the Chrysaor Group and a reorganisation of the Existing Debt Facilities. The Company entered into discussions regarding alternatives to the Standalone Transaction with both of the parties which had submitted expressions of interest, as was confirmed by the Company's announcement on 15 September 2020 following press speculation that the Company was in discussions with Chrysaor. Whereas discussions with the second party were not successful, discussions with Chrysaor developed into the Debt Restructuring and the Merger.

On 6 October 2020 the IWG and ARCM confirmed to the Company in writing that they had decided to support the Merger and the Debt Restructuring over the Standalone Transaction on the basis that, in their view, the Merger and the Debt Restructuring was likely to offer a better outcome to creditors than the Standalone Transaction. The IWG and ARCM further indicated that, in their view, this meant that the Standalone Transaction was no longer capable of gaining the requisite creditor support required for implementation in accordance with its terms. As a result of this feedback, the Directors concluded that it was no longer feasible to pursue the Standalone Transaction and accordingly all further work on the Standalone Transaction ceased.

In the days leading up to the announcement of the Merger and Debt Restructuring on 6 October 2020, the Company negotiated the final terms of the Merger with representatives of Chrysaor and Chrysaor's shareholders and agreed an increase in the proportion of equity in the Combined Group that will be retained by the Company's existing shareholders.

Having carefully developed and reviewed the terms of the Debt Restructuring and the Merger, and having considered the feedback from the IWG and ARCM, the Directors concluded that the Debt Restructuring and the Merger was in the best interests of, and would promote the success of, the Premier Group for the benefit of its shareholders and creditors and other stakeholders. Premier's Board announced on 6 October 2020 that the Merger and the Debt Restructuring provided broadly comparable value for the Shareholders as compared to the Standalone Transaction but, taking into account the current challenging macroeconomic conditions, the Merger and the Debt Restructuring benefited from greater execution certainty. As part of this announcement, Premier also announced that it, Chrysaor and a sub-set of creditors had entered into the Support Letter with creditors representing over 43 per cent. of its debt facilities and cross-currency swaps. Since then, additional creditors have entered into the Support Letter, as further described in paragraph 1.6 above and section 5.1 of Part VIII (*Additional Information*).

3. Reasons for the Merger

3.1 Synergies

By combining the two businesses, the Directors believe the Merger will provide the potential to generate significant synergies through operating, financing and other cost savings, which is highly attractive in the current oil price environment and will position the Combined Group well for the future.

As a result of the scale achieved by the combination, the Directors believe there will be opportunities for operating efficiencies through the integration of Premier's and Chrysaor's operations. In particular, Premier and Chrysaor have significant and over-lapping activity in the North Sea region, including in areas such as procurement, logistics, materials, drilling and subsea operations. Premier and Chrysaor's combined UK North Sea operating costs and capital expenditures totaled US$855 million in the first half of 2020. Incremental efficiency gains across this combined portfolio could therefore generate material annual cost reductions. Initial efficiency gains are expected to come from the integration of suppliers and contracting strategies. Some of the benefits realised in the UK may also deliver further efficiency gains across the international portfolio.

In addition, further savings are expected through elimination of duplicate activities in corporate functions, redundant office locations, and efficiencies with respect to other areas of corporate expense such as IT, hedging and insurance. The Combined Group would expect to generate the majority of savings in relation to these efficiencies in the first 12 to 24 months post completion.

The Directors also believe that the combination and improved cash flows from the synergies identified above could result in the utilisation of a significant portion of Premier's c.US$4.1 billion of UK tax losses, which could support continued material investment in the UK North Sea. The timeframe for any such utilisation is not certain and will necessarily depend on a wide range of factors (including, amongst other things, commodity prices, oil and gas production levels and operating costs), but is currently expected to be within the first five years following completion of the Merger.

The Directors have also identified debt financing costs as an area that could generate significant savings for the Combined Group. Premier's effective interest rate, as reported in its H1 2020 interim results, was 7.9 per cent. on drawn funds of US$2,114 million. Drawings under the new $4.5 billion reserve-based lending facility for the Combined Group will be funded at a margin of 3.25 per cent. over the LIBOR benchmark. The new financing structure for the Combined Group should therefore generate material savings going forward.

3.2 Consideration Shares and Creditor Shares

Immediately following Admission, assuming that the maximum number of Creditor Shares are issued and allotted and no take-up of New Equity Warrants, it is expected that Premier will have 18,510,653,520 fully paid Ordinary Shares in issue (none of which will be held in treasury).

If Admission occurs, it will result in the issue and allotment of 14,253,203,210 Consideration Shares, up to 3,331,917,634 Creditor Shares and up to 148,085,228 New Equity Warrants. Existing Shareholders will suffer an immediate dilution as a result of Admission, following which they will hold:

- assuming that the maximum number of Creditor Shares are issued and allotted and no take-up of New Equity Warrants, approximately 5 per cent. of the enlarged share capital of the Company; and
- assuming that the minimum number of Creditor Shares are issued and allotted and maximum take-up of New Equity Warrants, approximately 5.45 per cent. of the enlarged share capital of the Company.

3.3 Integration review

The Directors, having reviewed and analysed the potential benefits of the Merger, note that, to achieve some of the expected benefits of the Merger, it will be necessary to undertake a review of how best to integrate the Premier Group and the Chrysaor Group. The review has now commenced and a steering committee has been established to coordinate integration planning. However, the Premier Group and the Chrysaor Group remain separate and data sharing is subject to certain restrictions for commercial and competition law reasons until completion of the Merger and the Debt Restructuring.

3.4 Financial effects of the Merger

On a *pro forma* basis and assuming that the Merger and the Debt Restructuring had taken place, in each case on 30 June 2020, the Combined Group would have had net assets of US$3,255.3 million and net debt to EBITDA of x1.28, compared with net assets reported by Premier as at 30 June 2020 of US$490.2 million and net debt to EBITDA of x3.33.

The unaudited *pro forma* statement of net assets has been prepared to illustrate the effect on the consolidated net assets of Premier as at 30 June 2020 as if the Merger and the Debt Restructuring had each taken place on 30 June 2020. The unaudited *pro forma* income statement has been prepared to illustrate the effect on the consolidated earnings of Premier for the six month period ended 30 June 2020 as if the Merger and the Debt Restructuring had each taken place on 1 January 2020. For further detail on the Unaudited *Pro forma* Financial Information, please see Part VI (*Unaudited Pro Forma* Financial Information) of this document.

3.5 Key terms of the Merger Agreement

The Merger Agreement was entered into on 2 November 2020 between Premier, Chrysaor, Harbour Chrysaor Equity Holdings Ltd., Harbour North Sea, EIG Swift Co-Investment. L.P. and EIG Swift Co-Investment GP. Ltd. (such parties other than Premier being for these purposes the "**Harbour/ Chrysaor Parties**"), for the sale of the entire issued share capital of Chrysaor to Premier in exchange for the allotment and issue of the Consideration Shares to Chrysaor's shareholders at the time of completion of the Merger.

The consideration payable by Premier to Chrysaor's shareholders at the time of completion is the allotment and issue of the Consideration Shares. Premier received warranties relating to the Chrysaor business from certain members of Chrysaor management under the Management Warranty Deed.

Further details of the Merger Agreement and the Management Warranty Deed are set out in Part III (*Terms and Conditions of the Merger*).

4. Reasons for the Debt Restructuring

4.1 Introduction

The proposed terms of the Debt Restructuring, which will be implemented through three Court-sanctioned Restructuring Plans, were agreed with a sub-set of Premier's creditors on 6 October 2020. Given the level of support received from the Super Senior XCCY Restructuring Plan Creditors, Super Senior RCF/LC Restructuring Plan Creditors and Senior Restructuring Plan Creditors which have entered into the Support Letter, the Directors are able to confirm that Premier has secured sufficient commitments from the requisite majorities to obtain the creditor approvals required for the Debt Restructuring.

It is anticipated that the Restructuring Plan Creditor Meetings will be convened following a hearing before the English Court scheduled to be held on 19 January 2021 and hearings before the Scottish Court scheduled to be held on 25 January 2021. If the Restructuring Plan Creditor Meetings are convened by the relevant Courts as expected, it is anticipated that the Restructuring Plan Creditor Meetings will be held on 22 February 2021.

If the Debt Restructuring completes, Restructuring Plan Creditors will receive the following in satisfaction of their drawn commitments or exposure (as applicable) under the Existing Debt Facilities and XCCY Swaps:

- an upfront cash payment (funded through a combination of the New RBL Facility and Premier's and Chrysaor's existing cash resources) of US$1.23 billion (subject to certain adjustments);

– Creditor Shares or, subject to meeting eligibility requirements, New Equity Warrants or, for Senior Creditors and Senior XCCY Hedge Counterparties which so elect, a further cash payment pursuant to the Partial Cash Alternative (capped at approximately US$175 million).

As announced on 6 October 2020, the Upfront Cash Consideration and the refinancing of the Premier Group's outstanding letters of credit of approximately US$400 million together represent approximately 61 cents on the dollar for Restructuring Plan Creditors (on average across all Restructuring Plan Creditors). If a Senior Creditor elects for the Partial Cash Alternative, they will receive an additional payment of up to 14 cents on the dollar, approximately, instead of receiving Creditor Shares.

In addition, the Debt Restructuring will involve:

– the cancellation of all undrawn commitments under the Super Senior Secured RCF/LC Facility Agreement, the Senior RCF/LC Facility Agreement and the Nelson Bilateral LC Facility Agreement;

– the replacement of all outstanding letters of credit under the Super Senior Secured RCF/LC Facility Agreement, the Senior RCF/LC Facility Agreement and the Nelson Bilateral LC Facility Agreement with the cancellation of all commitments in relation to such letters of credit;

– Senior Creditors and Senior XCCY Hedge Counterparties will be able to subscribe for unallocated Creditor Shares through the Top-Up Election; and

– in order to allow time for the Merger to complete, or alternatively in the event the Merger, Whitewash and Debt Restructuring Resolutions are not passed to agree and implement an alternative plan for implementation of the Merger and the Debt Restructuring or, if that is not possible, an alternative transaction to address the Existing Debt Facilities, the Interim Maturity Extension.

Furthermore, as part of the Debt Restructuring, certain creditors of the Premier Group will enter into the Creditor Lock-Up Agreement, conditional on Admission and Readmission occurring. Under the terms of the Creditor Lock-Up Agreement, Creditor Shares (which shall include the New Equity Warrants and the New Warrant Shares but shall exclude any Creditor Shares issued pursuant to the Top-Up Election) held by Restructuring Plan Creditors and their designated nominees whose holdings represent more than 2.7 per cent. of the enlarged share capital of the Company on completion of the Merger and the Debt Restructuring will be subject to a lock-up period of three months in respect of fifty per cent. of their Creditor Shares and a further three-month lock-up period in respect of their remaining Creditor Shares. For further details on the Creditor Lock-Up Agreement, please see section 5.1 of Part VIII (*Additional Information*).

Moreover, completion of the Merger and the Debt Restructuring, certain shareholders of the Company will be subject to lock-up restrictions, preventing them from selling any Ordinary Shares (or other securities) of the Company for certain periods of time.

The table below sets out the nature of, and minimum percentage of investors subject to, the lock-up restrictions expected to be in place at Completion and their duration.

Shareholder	Percentage of the Combined Group's share capital held immediately after Admission (assuming no take up of the Partial Cash Alternative by Restructuring Plan Creditors)	Percentage of the Combined Group's share capital held immediately after Admission (assuming full take up of the Partial Cash Alternative by Restructuring Plan Creditors)	Subject to lock-up restrictions?	Duration[1]
Harbour North Sea[2]	36.50%	39.78%	Yes	Twelve month lock-up, with a further twelve month

Shareholder	Percentage of the Combined Group's share capital held immediately after Admission (assuming no take up of the Partial Cash Alternative by Restructuring Plan Creditors)	Percentage of the Combined Group's share capital held immediately after Admission (assuming full take up of the Partial Cash Alternative by Restructuring Plan Creditors)	Subject to lock-up restrictions?	Duration[(1)]
				orderly marketing covenant
Certain Chrysaor minority shareholders[(2)]	28.49%	31.05%	Yes	Six month lock-up, in certain cases with a further twelve month orderly marketing covenant
Restructuring Plan Creditors	18.00%	10.63%	Yes, provided that the Restructuring Plan Creditor (and any of their designated nominees), holds more than 2.7 per cent of the enlarged share capital of the Company as described in the paragraph above	Three months lock-up in respect of fifty per cent. of their Creditor Shares and a further three-month lock-up in respect of their remaining Creditor Shares
Existing Premier Shareholders	5.00%	5.45%	No	N/A

(1) All lock-up periods shall commence on the date on which completion of the Merger and the Debt Restructuring occurs.

(2) The allocation of Consideration Shares among Chrysaor Shareholders will depend on the value of those Consideration Shares in the period up to Completion.

For further details on the effects of the Debt Restructuring, please see paragraph 1 of Part IV (*Details of the Debt Restructuring*). The Debt Restructuring is subject to a number of conditions that must be satisfied or waived to proceed which are described further in paragraph 4.3 below.

4.2 Consequences of the Debt Restructuring not being implemented

The Directors believe that the Debt Restructuring will provide Premier with a more sustainable and suitable debt structure and provide the Combined Group with a strong foundation that will enable it to deliver on the objectives described in section 1.2 (*Benefits of the Merger*) of this Part I (*Letter from the Chairman*).

In addition to these benefits of the Debt Restructuring, the Directors believe that the implementation of the Debt Restructuring is critical to the future success of Premier for the reasons outlined below.

Debt Restructuring does not complete; Interim Maturity Extension completes

If the Debt Restructuring (other than the Interim Maturity Extension) does not proceed, Participating Creditors will still be obliged to support, and vote in favour of the Restructuring Plans in order to implement, the Interim Maturity Extension. Support for the Interim Maturity Extension from the Participating Creditors has been obtained, subject to certain conditions as outlined in paragraph 13 of Part I (*Letter from the Chairman of Premier*), to allow time for the Merger to complete, or alternatively in the event the Merger, Whitewash and Debt Restructuring Resolutions are not passed to agree and implement an alternative plan for implementation of the Merger and the Debt Restructuring or, if that is not possible, an alternative transaction to address the Existing Debt Facilities. Once effective, the Interim Maturity Extension will extend the maturity date of Premier's Existing Debt Facilities from 31 May 2021 to 31 March 2022. The consequences for the Premier Group if the Interim Maturity Extension does not become effective are outlined below in the section titled "*Neither Debt Restructuring nor Interim Maturity Extension completes*".

The Support Letter, and the financial covenant deferrals contained in the Support Letter, will remain in place until the Interim Maturity Extension becomes effective, unless the Support Letter is terminated earlier in accordance with the termination provisions contained therein. As further detailed in the Risk Factor entitled "*The Support Letter may be terminated in accordance with its terms on the occurrence of certain specified events*", the Support Letter may be terminated at the election of the Majority Creditors in certain circumstances, including, if:

- the Merger, Whitewash and Debt Restructuring Resolutions are not approved by Shareholders at the General Meeting and an alternative plan for implementation of the Merger and the Debt Restructuring has not been agreed between Premier, Chrysaor and the Participating Creditors within 20 business days of the General Meeting;
- an event of default arises under the Existing Debt Facilities or the XCCY Swaps (other than an event of default which has been remedied or waived or has arisen, or deemed to have arisen, directly as a result of the implementation of the Merger and the Debt Restructuring), such events of default being customary for financing arrangements of the size and nature of the Existing Debt Facilities, including events of default relating to non-payment, insolvency, insolvency proceedings, misrepresentation and cross-default, among other things;
- relevant members of the Premier Group breach the terms of the Support Letter in any material respect or any representation or warranty by the relevant members of the Premier Group under the Support Letter is materially incorrect or misleading;
- Chrysaor breaches certain undertakings given by it under the Support Letter in any material respect. These undertakings include, among other things: (i) to support the Debt Restructuring; (ii) not to take any action which would be inconsistent with the Merger or the Debt Restructuring in any material respect; and (iii) to instruct its legal advisers to negotiate the documentation required to implement the Debt Restructuring on the terms of the agreed term sheets in good faith;
- the Board decides to withdraw, suspend, qualify or adversely modify or amend, the recommendation of the Merger set out in the Circular in circumstances where Chrysaor has not elected to terminate the Merger Agreement and an alternative plan for implementation of the Merger and the Debt Restructuring has not been agreed between Premier, Chrysaor and the Participating Creditors;
- at any Restructuring Plan Creditor Meeting the requisite majorities by value of creditors entitled to vote on such Restructuring Plan have not voted for such Restructuring Plan such that any of the Restructuring Plans are not approved;
- certain milestones are not completed (including the posting of the explanatory statement relating to the Restructuring Plans to the Restructuring Plan Creditors by 28 February 2021 and the Merger, Whitewash and Debt Restructuring Resolutions being approved by Shareholders by 30 April 2021) within the relevant timeframe (as may be extended) other than where Premier has provided evidence that this is as a result of a breach by Chrysaor of its obligation under the Support Letter to provide reasonable assistance to enable Premier meet those milestones;
- either the English Court or the Scottish Court issues a judgment refusing to sanction all or any of the Restructuring Plans which is either (a) not appealed by any party within the period of time in which to bring such an appeal under Scottish or English law (as applicable), or (b) appealed within such period of time and such appeal is unsuccessful;
- either the English Court or the Scottish Court issues an order preventing the Company, POUK or POHL from implementing the Debt Restructuring or Restructuring Plans which is either (a) not appealed by any party, or (b) appealed and such appeal is unsuccessful; or

- where Chrysaor has notified the Company that the Company has breached the Merger Agreement in a manner which provides any of the Harbour/Chrysaor Parties the right to terminate the Merger Agreement and none of the Harbour/Chrysaor Parties exercises its termination right, or the Merger, Whitewash and Debt Restructuring Resolutions are not approved by shareholders at the General Meeting, an alternative plan for implementation of the Merger and the Debt Restructuring has not been agreed between Premier, Chrysaor and the Participating Creditors within 20 business days of such notification.

In addition, the Support Letter will automatically terminate on the earliest to occur of the following: (i) where the Merger Agreement is terminated in accordance with its terms and the Interim Maturity Extension becomes effective; (ii) an insolvency event occurs in relation to certain Premier Group companies; (iii) the Long-Stop Date; and (iv) the Merger and the Debt Restructuring becomes effective. If the Support Letter is terminated in accordance with its terms, the financial covenant deferrals contained in the Support Letter will terminate 45 days after the termination of the Support Letter, other than in certain limited circumstances, including where the Support Letter terminates on the date on which the Debt Restructuring becomes effective or (where the Merger Agreement has terminated) the Interim Maturity Extension becomes effective. Further details in respect of the termination rights under the Support Letter are set out under the Risk Factor entitled "*The Support Letter may be terminated in accordance with its terms on the occurrence of certain specified events*".

If Premier were unable to secure further deferrals of a similar nature or if Premier were to breach financial covenants in respect of a subsequent testing period without a deferral or waiver in place, there would be an event of default under the Override Agreement. If an event of default were to occur in these circumstances, the Private Creditors would have the right to declare the Private Debt Facilities (which totalled US$2.2 billion as at 31 October 2020) immediately due and payable, which if exercised would in turn trigger an event of default under the XCCY Swaps and cross-default under the Retail Bonds (which total £150 million). The Private Creditors, the XCCY Hedge Counterparties and the Retail Bondholders would also have the right to take immediate steps to enforce their security over shares in certain Premier Group companies and certain other key assets of the Premier Group.

As a result, if the Debt Restructuring (other than the Interim Maturity Extension) does not proceed and the Premier Group does not secure future financial covenant deferrals, and even if the Interim Maturity Extension does become effective, it is expected that the Premier Group's Existing Debt Facilities and exposures under the XCCY Swaps will become payable before 31 March 2022 as a consequence of the events of default and acceleration of the Premier Group's debt described above. Premier considers that the Premier Group would not be able to repay the Private Debt Facilities and exposures under the XCCY Swaps in these circumstances. Even if Premier is able to secure future financial covenant deferrals for the period until 31 March 2022, Premier does not consider that the Premier Group will be able to repay the outstanding debt under its Existing Debt Facilities and exposures under the XCCY Swaps when they mature, or crystallise (as relevant) on that date in which case the events of default, acceleration and enforcement of security described above could occur.

As a result, in circumstances where the Debt Restructuring (other than the Interim Maturity Extension) does not complete but the Interim Maturity Extension does complete, the ability of members of the Premier Group to continue trading will depend upon:

- a significant portion of its creditors providing further financial covenant deferrals upon termination of the Support Letter; and
- the Premier Group agreeing, before 31 March 2022, either: (i) an alternative plan for the implementation of the Merger and the Debt Restructuring with its creditors and Chrysaor within the timeframe contained within the Support Letter; or (ii) an alternative transaction to address its Existing Debt Facilities and exposures under the XCCY Swaps with its creditors.

Premier has an obligation under the Support Letter to provide information, access and cooperation in order for Participating Creditors to develop contingency plans for a scenario where the Merger and the Debt Restructuring are not implemented. In a scenario where the Merger, Whitewash and Debt Restructuring Resolutions are not passed, and the Premier Group is therefore dependent on support from its creditors to continue trading, the creditors will be able to require Premier to take steps to implement any contingency plans which are developed by the Participating Creditors as a condition to the provision of their continuing support.

In addition to this general obligation in respect of contingency planning, Premier is required under the terms of the Support Letter to work together with Chrysaor and Participating Creditors in good faith to agree and prepare an alternative plan to implement the Merger and the Debt Restructuring in the event that the Merger, Whitewash and Debt Restructuring Resolutions are not passed (which could involve the filing for insolvency of the Company and/or other companies within the Premier Group, and/or the enforcement of security). In addition, Chrysaor and Participating Creditors have agreed that they will not engage in any negotiations with any other party in connection with any similar transaction to the Merger and the Debt Restructuring or alternative transaction relating to the Premier Group, other than an alternative plan to implement the Merger and the Debt Restructuring, for a period of 20 business days after the General Meeting at which the Merger, Whitewash and Debt Restructuring Resolutions are not passed. It is likely that any alternative plan to implement the Merger and the Debt Restructuring would provide for minimal or no recovery for Shareholders.

If no alternative plan to implement the Merger and the Debt Restructuring was agreed, the Board would seek to negotiate an alternative transaction to address its Existing Debt Facilities with its creditors (although these discussions could not start until expiry of the 20-business day period referred to above). There is no certainty that the creditors would engage with the Board in those circumstances or that any negotiations regarding an alternative transaction would be successful. In particular, the following factors are likely to affect negatively the Premier Group's ability to negotiate an alternative transaction:

- although the Premier Group has retained the support of a significant group of its creditors in negotiating and agreeing the terms of the Debt Restructuring, it is likely that, if the Merger and the Debt Restructuring do not become effective, some or all of the creditors who are currently supportive could become less supportive of the Premier Group or could sell their debt-holdings to parties whose interests may not be aligned with the Premier Group;
- any doubt as to the Premier Group's ability to continue as a going concern following the non-completion of the Merger and the Debt Restructuring could have a material and adverse commercial impact on the Premier Group's trading, which could in turn lead to liquidity problems for the Premier Group; and
- the impact of COVID-19, volatile credit markets and/or the outlook for oil and gas prices.

If Premier cannot negotiate an alternative transaction to address its debt facilities with its creditors, Premier would likely enter into insolvency proceedings, on or before 31 March 2022, which the Directors consider would likely result in no value being returned to Shareholders. This is because even if the Interim Maturity Extension is implemented, the Premier Group will be dependent on continued deferrals of its financial covenants from a significant portion of its creditors in order to continue to trade. Even if Premier is able to secure financial covenant deferrals for the period until 31 March 2022, the Directors do not consider that the Premier Group will be able to repay its outstanding debt when it matures on that date.

Neither Debt Restructuring nor Interim Maturity Extension completes

The Directors believe that, given the undertakings by Participating Creditors pursuant to the Support Letter and the limited number of conditions to the effectiveness of the Interim Maturity Extension, it is very likely that the Interim Maturity Extension will have completed by 31 May 2021. However, if any of the conditions to the Interim Maturity Extension were not satisfied or waived, the Interim Maturity Extension would not become effective and accordingly the outstanding debt under the Premier Group's Existing Debt Facilities and exposures under the XCCY Swaps will mature or crystallise on 31 May 2021. Premier does not consider that it will be able to repay this outstanding debt, in which case the Private Creditors, the XCCY Hedge Counterparties and the Retail Bondholders could take immediate steps to enforce their security over shares in certain Premier Group companies and certain other key assets of the Premier Group.

Further, the Support Letter may be terminated if the Interim Maturity Extension does not become effective as a result of the Restructuring Plans not being approved by the requisite majorities of creditors or not being sanctioned by either the English Court or the Scottish Courts. If the Support Letter were to terminate in these circumstances, the financial covenant deferrals contained in the Support Letter would terminate 45 days after the termination of the Support Letter. The consequences if those financial covenant deferrals terminate and the Premier Group does not secure future financial covenant deferrals are outlined above.

As a result, in circumstances where neither the Debt Restructuring nor the Interim Maturity Extension completes, the ability of members of the Premier Group to continue trading will depend upon:

- a significant portion of its creditors providing further financial covenant deferrals upon termination of the Support Letter; and
- the Premier Group agreeing, before 31 May 2021, either: (i) an alternative plan for the implementation of the Merger and the Debt Restructuring with its creditors and Chrysaor within the timeframe contained within the Support Letter; or (ii) an alternative transaction to address its debt facilities with its creditors.

While Premier has obligations under the Support Letter in respect of the preparation and agreement of contingency plans for a scenario where the Merger and the Debt Restructuring does not complete (as noted above), it is unlikely that any alternative plan for the implementation of the Merger and the Debt Restructuring or alternative transaction to address its debt facilities will be agreed and implemented prior to 31 May 2021. The factors outlined above as being likely to affect negatively the Premier Group's ability to negotiate an alternative transaction will be more pronounced where the Premier Group has less than six months until the Existing Maturity Date (which is the position as at the date of this Circular), and will become more pronounced still the closer the Premier Group gets to the Existing Maturity Date. It would therefore be likely that the Premier Group would enter into insolvency proceedings on or before the existing maturity date under the Existing Debt Facilities and XCCY Swaps of 31 May 2021, which the Directors consider would likely result in no value being returned to Shareholders.

4.3 Conditions to the Debt Restructuring

The Debt Restructuring (other than the Interim Maturity Extension) is inter-conditional with the completion of the Merger, and subject to certain conditions which must be satisfied or waived, including:

(A) the Merger, Whitewash and Debt Restructuring Resolutions having been passed by Shareholders at the General Meeting;

(B) the Restructuring Plans (which are inter-conditional) having been approved by the requisite majorities at the Restructuring Plan Creditor Meetings, sanctioned by the relevant Courts and a copy of the sanction orders delivered to the Registrar of Companies for Scotland or the Registrar of Companies for England and Wales (as applicable);

(C) each of the Non-XCCY Hedge Counterparties having given any consents required in connection with the Debt Restructuring, which the Non-XCCY Hedge Counterparties have undertaken to do pursuant to the Non-XCCY Hedging Support Letters;

(D) satisfaction of certain documentary conditions in respect of conditions precedent that are customary for a secured financing transaction and/or are within the control of the Premier Group;

(E) the FCA and the London Stock Exchange each having approved the applications for Admission (by not later than 30 September 2021, or such later date as may be agreed by Premier, Chrysaor and the Majority Creditors provided that such later date may not be later than 1 December 2021) (the "**Long-Stop Date**"); and

(F) payment of certain costs associated with the Debt Restructuring.

As at the date of this document, each of the conditions listed above remain outstanding. The Directors and believe that, based on the level of support which the Debt Restructuring has received to date, and subject to the remaining conditions of the Merger Agreement being satisfied and Shareholders resolving to pass the Merger, Whitewash and Debt Restructuring Resolutions at the General Meeting, the risk of the conditions described in (B), (C), (D) and (F) above not being satisfied is remote and that it is therefore likely that the Debt Restructuring will have completed by 31 May 2021. Likewise, the Directors have no reason to believe that Admission will not occur and accordingly consider the non-satisfaction of this condition to be very low risk.

In order to satisfy each of these outstanding conditions Premier intends to:

(A) pass the Merger, Whitewash and Debt Restructuring Resolutions at a General Meeting to be held on 12 January 2021;

(B) obtain approval for the Restructuring Plans from Restructuring Plan Creditors at the Restructuring Plan Creditor Meetings to be held on 22 February 2021 as part of the Restructuring Plans process and present the Restructuring Plans for sanction by the relevant Courts;

(C) facilitate and arrange the delivery of the relevant conditions precedent;

(D) make the applications to the FCA and the London Stock Exchange required for Admission; and

(E) arrange that the relevant costs associated with the Debt Restructuring are paid prior to or at completion of the Merger and Debt Restructuring.

If any of the conditions to the Debt Restructuring are not satisfied or waived (to the extent applicable) the Debt Restructuring will not complete. For further details on the implications of the Debt Restructuring not completing, please see paragraph 4.2 of Part I (*Letter from the Chairman of Premier*), particularly the sub-paragraph titled "*Debt Restructuring does not complete; Interim Maturity Extension completes*".

If, prior to the English Court hearing to convene the English Restructuring Plan Creditor Meetings, the Shareholders have voted against the Merger, Whitewash and Debt Restructuring Resolutions or the Merger Agreement otherwise terminates, then Premier will proceed with the Restructuring Plans but solely to implement the Interim Maturity Extension.

The conditions to the Interim Maturity Extension are:

(A) the Restructuring Plans (which are inter-conditional) having been approved by the requisite majorities at the Restructuring Plan Creditor Meetings, sanctioned by the relevant Courts and a copy of the sanction orders delivered to the Registrar of Companies for Scotland or the Registrar of Companies for England and Wales (as applicable);

(B) each of the Non-XCCY Hedge Counterparties having given any consents required in connection with the Debt Restructuring, which the Non-XCCY Hedge Counterparties have undertaken to do pursuant to the Non-XCCY Hedging Support Letters;

(C) the satisfaction of certain documentary conditions in respect of conditions precedent that are customary for a secured financing transaction and/or are within the control of the Premier Group; and

(D) payment of certain costs associated with the Debt Restructuring.

Once conditions (A) to (D) listed above have been satisfied, there are no further circumstances which could lead to the Interim Maturity Extension not completing. If any of the conditions to the Interim Maturity Extension are not satisfied or waived (to the extent applicable) the Interim Maturity Extension will not complete. For further details on the implications of the Debt Restructuring not completing, please see paragraph 4.2 of Part I (*Letter from the Chairman of Premier*), particularly the sub-paragraph titled "*Neither Debt Restructuring nor Interim Maturity Extension completes*" as well as the Risk Factor titled "*If the Interim Maturity Extension does not become effective and the Merger and the Debt Restructuring do not proceed, the Premier Group's financial position would be materially adversely affected and it is likely that companies within the Premier Group would be placed into insolvency procedures on or before 31 May 2021*" below.

4.4 Reorganisation of Share Capital

Reasons for the Subdivision

Pursuant to the terms of the Debt Restructuring, the Company will issue up to 148,085,228 New Equity Warrants to Restructuring Plan Creditors who elect to receive New Equity Warrants instead of New Ordinary Shares in circumstances where the Partial Cash Alternative is oversubscribed, provided that the subscription by such electing Restructuring Plan Creditors to the New Ordinary Shares is restricted by any law or regulation to which such electing Restructuring Plan Creditor is subject to or would give rise to liability for such electing Restructuring Plan Creditor to any governmental, banking, taxation, municipality or other regulatory authority. As such, in order to ensure that such Restructuring Plan Creditors receive an instrument which is economically equivalent to the Creditor Shares as possible subject to the constraints of Scottish company law and will be issued in substitution for Creditor Shares, the Company has agreed to offer eligible Restructuring Plan Creditors the opportunity to receive New Equity Warrants instead of New Ordinary Shares.

Restructuring Plan Creditors who do elect to receive New Equity Warrants shall be required to pay 0.001 pence per New Ordinary Share to the Company on exercise of the New Equity Warrants, subject to any adjustment of the exercise price of the New Equity Warrants in accordance with the terms of the New Equity Warrant Deed Poll. Under the Companies Act companies incorporated in Scotland are not permitted to issue shares at a price below their existing nominal value. As the New Equity Warrants Exercise Price is below the current nominal value of the Existing Ordinary Shares (which, at the date of this document, is 12.5 pence), it is therefore necessary for the Company to complete the Subdivision prior to the Debt Restructuring taking place in order to reduce the nominal value of each Ordinary Share to an amount below the New Equity Warrants Exercise Price.

Accordingly, it is proposed that, pursuant to the terms of the Subdivision, each Existing Ordinary Share in existence as at the Subdivision Record Date will be subdivided into:

(a) one Ordinary Share with a nominal value of 0.0001 pence each; and

(b) one Non-Voting Deferred Share with a nominal value of 12.4999 pence each.

The effect of the Subdivision will mean that each New Ordinary Share will have a nominal value of 0.0001 pence and the number of ordinary shares of the Company listed on the Official List and admitted to trading on the London Stock Exchange's main market for listed securities shall remain the same. Each Shareholder's proportionate interest in the Company's issued ordinary share capital, and the number of Ordinary Shares held, will remain unchanged as a result of the Subdivision. However, the number of Ordinary Shares and Shareholder's proportionate interest in the Company's issued ordinary share capital will change following Admission of the Consideration Shares and the Creditor Shares issued pursuant to the Merger and the Debt Restructuring.

Aside from the change in nominal value, the rights attaching to the Ordinary Shares (including voting and dividend rights and rights on a return of capital) will be identical in all respects to those of the Existing Ordinary Shares.

For further details on the proposed reorganisation of share capital, please see paragraph 7 of Part IV (*Details of the Debt Restructuring*).

5. Financing of the Combined Group following the Merger

The Premier Group has the following debt facilities in place (the "**Existing Debt Facilities**"):

- the Super Senior Secured RCF/LC Facilities, comprising a US$25.84 million cash loan facility and a US$15.15 million letter of credit facility;
- the Senior RCF Facilities, comprising a US$1,346 million cash loan facility and a US$434.85 million letter of credit facility;
- the Term Loan Facilities, comprising a £100 million Facility A and a US$150 million Facility B;
- the USPP Notes, comprising the €35 million Series A 2011 notes, the US$13 million Series B 2011 notes, the US$128 million Series C 2011 notes, Series C 2011 notes, the €25 million Series A 2012 notes, the US$35 million Series B 2012 notes, the US$84 million Series C 2012 notes, the US$38 million Series D 2012 notes and the make-whole notes issued as part of the 2017 Refinancing;
- the Converted Facility, comprising a US$60 million Facility A, a US$50 million Facility B and a US$20 million Facility C;
- the Nelson Bilateral LC Facility (£4.4 million); and
- the Retail Bonds (£150 million).

In addition to the Existing Debt Facilities, the Premier Group has various hedging transactions in place, including cross-currency swaps (the "**XCCY Swaps**"), commodity swaps and options and interest rate swaps. Where hedging transactions are entered into with institutions which are party to the Override Agreement and the Intercreditor Agreement in their capacity as hedge counterparties, the relevant hedging transactions benefit from the same guarantee and security package as the Existing Debt Facilities. Under the Intercreditor Agreement, the guaranteed and secured hedging transactions rank senior save that any increase in a Hedge Counterparty's hedging exposure since 15 March 2016 ranks super senior. As at 30 November 2020, the XCCY Swaps represented a liability of the Premier Group of US$109.0 million, of which US$49.1 million ranked super senior (the "**Super Senior XCCY Swaps**") and US$59.9 million ranked senior (the "**Senior XCCY Swaps**").

As a result of the Debt Restructuring, all of the Existing Debt Facilities and the XCCY Swaps will be repaid, released and/or cancelled pursuant to the Debt Restructuring and certain members of the Premier Group will accede to the New RBL Facility and provide guarantees and security over their assets.

On 23 November 2020, certain members of the Chrysaor Group entered into a US$4.5 billion amended and restated reserves-based lending facility agreement in connection with the Merger and the Debt Restructuring (referred to in this document as the New RBL Facility) with, among others, Bank of Montreal, London Branch, BNP Paribas, DNB (UK) Limited, and Lloyds Bank plc, which includes a letter of credit facility of up to USS1,250 million and an accordion facility of up to US$750 million. The New RBL Facility is based primarily on the existing Chrysaor RBL Facility Agreement that it replaced, which was originally entered into on 30 January 2017 and amended and restated on 3 June 2020. The New RBL Facility is supported by the reserves of the Combined Group. Further details regarding the New RBL Facility are included within paragraph 6 of Part IV (*Details of the Debt Restructuring*).

6. Current trading and prospects

6.1 The Premier Group

Premier issued its trading update for the 11 months ended 30 November 2020 (the "**December Trading and Operations Update**") on 16 December 2020.

The key highlights of the December Trading and Operations Update are listed below:

- Production averaged 61.2 kboepd for the 11 month period and Premier is on track to meet its full year guidance of 61 to 64 kboepd.
- Premier expects 2021 production to be in the range of 61 to 66 kboepd. This reflects new production from Premier's operated Tolmount gas field (due on-stream in Q2 2021) offset by natural decline and maintenance shutdowns deferred from 2020.
- Production at Premier's operated Catcher Area has been restored to rates in excess of 60 kboepd (gross) following a seven day unplanned outage in mid-November.
- The Solan P3 well was brought on-stream in September and subsequently produced at rates of over 10 kboepd in mid-November with the ESP online. In early December, production from the Solan field was shut in following the failure of the emergency generator and Premier is actively progressing its repair.
- The Tolmount platform was installed during October and batch drilling of the four wells is underway. First gas is forecast for Q2 2021 with Tolmount expected to add 20 to 25 kboepd (net) once on plateau with all four wells completed, anticipated during Q4 2021.
- Premier has retained significant growth optionality within its portfolio:
  - Zama (Mexico) unitisation and development plan negotiations progressing with Pemex
  - Tuna (Indonesia) farm-out agreement signed with Zarubezhneft in September. Fully-carried two well appraisal programme planned for 2021
  - Premier continues to assess the potential of the resources associated with the Sea Lion project (Falkland Islands) which represents a material opportunity for the Group
  - Highly encouraging results from new 3D seismic data sets in Mexico and Indonesia
- Forecast 2020 opex (ex-lease costs) unchanged at $12/boe and full year capex (including abex) guidance now $315 million, reflecting full year savings and deferrals of c. $250 million.

- Premier forecasts 2021 opex (ex-lease costs) of US$15/boe. This includes the tariff to be paid for the Tolmount infrastructure. 2021 total capex (including abex) is expected to be US$274 million. 2021 guidance is provided on a standalone basis and does not account for any optimisation that may occur post completion of the Transaction.
- Net debt at the end of November was US$2.06 billion.

Premier also notes that Tony Durrant stepped down from the Board of Directors on 16 December 2020. In addition, Richard Rose will be the Interim Chief Executive until completion of the Transaction, in addition to his current role as Finance Director. Stuart Wheaton, currently Chief Operating Officer, will assume the role of interim Deputy Chief Executive.

Trading for the period from 30 November 2020 to the date of this Circular has been and is in line with the expectations of the Directors and there has been no material change to the financial position of the Premier Group since that date.

6.2 Chrysaor Group

Chrysaor has shown resilience in the challenging business environment created by the COVID-19 pandemic and the commodity price collapse. Its operational performance and diverse and flexible portfolio together with its strong balance sheet and robust hedging programme, have allowed Chrysaor to maintain production and deliver strong financial results during 2020.

Production

Chrysaor's production averaged 174 kboepd to the end of November 2020, with reduced levels of drilling and rephasing of operational activities offset by a shortening of planned shutdowns. Chrysaor forecasts full year 2020 production of approximately 174 kboepd, in line with full year guidance of 170-180 kboepd.

2021 production is expected to average in the range of 140-155 kboepd. This reflects an expected 2020 second-half production forecast of approximately 160 kboepd and an unusually high level of asset shutdowns during 2021. The unusually high-level of 2021 shutdown activity is largely driven by COVID-19-related 2020 maintenance deferrals. These include a planned shutdown of the Forties Pipeline System, deferred from summer 2020 to summer 2021, which affects several of Chrysaor's key production hubs. In addition, both J-Area platforms will experience partial outages in 2021 due to planned separator inspections. In total, over half of Chrysaor's production is expected to be shut-in during 2021 for over 45 days.

2021 production is further impacted by the COVID-19 related suspension of some drilling activities in 2020. As drilling has now resumed at normal levels, the deferred contribution from these wells will be reflected in future years production.

Operated production operations

The Chrysaor-operated J-Area averaged 31 kboepd (net) to the end of November 2020, with the impact of water breakthrough in the Palaeocene wells ameliorated by an active drilling and workover programme which is expected to continue into 2021. The Valaris 120 heavy duty jack up successfully drilled and completed the Joanne Chalk S16 well with stimulation operations underway and first production expected at the turn of the year. The Valaris 120 will then move to the Jasmine West Limb well (S17) followed by the S15 well intervention. In addition, the joint venture partners are currently exploring the potential to add a second drilling unit in late 2021 to appraise the Talbot discovery located southwest of the Judy Central Processing Platform, and to drill the Dunnottar exploration prospect located to the east of the Judy field.

Production from the Greater Britannia Area averaged 40 kboepd (net) for the first 11 months of the year, benefitting from excellent facilities uptime and better than expected well performance from the Brodgar satellite field. The Transocean Paul B Lloyd Jnr has successfully drilled the Callanish F5 well with first production anticipated in Q1 2021.

In the AELE area, production averaged 31 kboepd (net) to the end of November 2020. While production levels and efficiencies have been maintained, the Hawkins and Seymour Horst wells, which were brought on stream in October 2020, are performing below pre-drill expectations. However, well performance is not yet conclusive and remedial actions may be undertaken. In

December 2020, Chrysaor sanctioned the LAD infill development well at Everest East with drilling scheduled for Q3 2021.

Non-operated production operations

The Beryl Area fields averaged 17 kboepd (net) for the first eleven months of the year, supported by an ongoing well intervention programme and continued infill drilling. Exploration activity in the Beryl area Tertiary play has been positive so far with two successful wells drilled on the Solar and Corona prospects. The currently drilling Gamma/Losgann well results are also encouraging. Each discovery in this area improves the potential for a possible development with several scenarios under consideration including co-development with adjacent Norwegian discoveries.

Production from the CNOOC operated Buzzard field averaged 19 kboepd (net) to the end of November 2020. Phase 1 infill drilling has delivered on or above target while Buzzard Phase 2 drilling results have been towards the lower end of expectations. Drilling has now been paused and further wells and side-track activity will wait until after the Phase 2 wells have been brought onto production, now expected in December 2021.

Production from the Chrysaor-owned, Spirit Energy-managed East Irish Sea area averaged 6 kboepd (net) for the first 11 months of the year. This was below expectations with the fields experiencing two significant outages in the year - a control system issue on the Calder platform in the first half of the year, followed by a compressor issue at the North Morecombe Terminal. Combined, these issues led to a production efficiency of less than 40% for 2020. Chrysaor is evaluating a variety of potential developments in the East Irish Sea in conjunction with Spirit Energy along with asset integrity projects to improve reliability.

Production from the BP-operated Clair Phase 1 and Clair Ridge fields averaged 5 kboepd (net) to the end of November 2020 with high Phase 1 Clair production efficiency offset by delayed drilling and poorer performance on Clair Ridge. On the Ridge development, to date 8 wells have been executed of the 36 well programme. A ninth well has been drilled and is currently being completed. These early wells are producing lower than initial pre-drill expectations and three have seen water breakthrough, albeit expected given the nature of the reservoir. Near-term production from Clair Ridge is lower than was prognosed at project sanction in 2011. Optional infill campaigns, beyond the sanctioned 36 wells, are now under consideration.

The Schiehallion field produced 6 kboepd (net) to the end of November 2020. The Glen Lyon FPSO has improved its production efficiency in 2020 compared to 2019 and has now gone over 200 days without a trip. However, the production performance has recently been impaired by sand management issues. The pausing of the infill drilling programme has also impacted production rates; as a result, production is expected to show normal decline in 2021-2022 until the expected re-start of infill drilling in 2023.

The Total-operated Elgin Franklin area averaged 19 kboepd (net) for the first 11 months of the year. This was ahead of expectations with the fields benefitting from very high production efficiency and an ongoing infill drilling and well intervention programme. The operator is currently planning facilities and integrity work towards a potential extension of field life.

Financials

Chrysaor's operating costs (including net tariff costs) to the end of November 2020 averaged US$11.4/boe. Chrysaor's total capital expenditure (including exploration and decommissioning) to the end of November 2020 was US$651 million. Chrysaor expects total capital expenditure for the full year 2020 to be around US$718 million. This is approximately US$575 million lower than forecast at the outset of the year, reflecting the pause in non-essential platform activity and the suspension of operated drilling activities for nearly six months.

Given lower levels of production and increased maintenance expense in 2021, Chrysaor expects unit operating costs to be higher than the 2020 outturn but below its long-term target of US$15/boe (including net tariff costs). Chrysaor expects its total 2021 capital expenditure to be US$750-850 million, principally relating to drilling and development activities at J-Area, AELE, Beryl and Buzzard, and including approximately US$170 million for decommissioning (pre-tax relief).

Chrysaor benefits from a significant hedging programme with approximately 67 per cent of its 2021 1H oil volumes hedged at an average price of US$60/bbl, and 73 per cent of its 2021 1H gas volumes hedged at an average price of 42 pence/therm.

7. Dividend Policy

Premier did not pay a dividend for the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019. Under the terms of the Existing Debt Facilities, the Premier Group is subject to restrictive covenants such that it shall not declare, make or pay any dividend or other distribution or redeem or repay any of its share capital. Premier at present has no plans to pay a dividend prior to completion of the Merger and Debt Restructuring.

As described above, going forward, the Directors believe the combination of Premier and Chrysaor will create a business with the potential to offer a meaningful dividend for shareholders over time. The Combined Group is expected to generate sufficient free cash flow to support shareholder returns including via a sustainable dividend which, subject to market conditions and Board approval, is expected to be introduced with respect to the financial year ending December 2021.

8. Listing, dealing and settlement

As described in section 1 of this Part I (*Letter from the Chairman of Premier*) of the Circular, the Company will, through its Sponsors, be required to apply to the FCA and to the London Stock Exchange for:

(A) the current listing of the Existing Ordinary Shares to be cancelled and the Premier Shares to be re-admitted upon completion of the Merger and the Debt Restructuring to the premium listing segment of the Official List of the FCA and to trading on the main market for listed securities of the London Stock Exchange; and

(B) the Consideration Shares and the Creditor Shares to be admitted upon completion of the Merger and the Debt Restructuring to the premium listing segment of the Official List of the FCA and to trading on the main market for listed securities of the London Stock Exchange.

No such applications to the FCA or the London Stock Exchange in respect of Admission have yet been made, and there is no guarantee that such applications will be accepted or that the share capital of the Combined Group (including the Consideration Shares and the Creditor Shares) will be deemed eligible for Admission. Given that completion of the Merger and the Debt Restructuring is conditional on Admission, if Admission does not occur, the Merger Agreement will terminate and the Debt Restructuring will not proceed.

Completion of the Merger shall occur automatically immediately on Admission. It is expected that Admission will become effective, subject to the satisfaction of certain conditions, including the approval of the Merger, Whitewash and Debt Restructuring Resolutions at the General Meeting.

Upon Admission, the Consideration Shares and the Creditor Shares will rank *pari passu* in all respects with the existing issued Premier Shares (as reorganised pursuant to the Subdivision) and will rank in full for all dividends and other distributions declared, made or paid on the ordinary share capital of Premier with a record date on or after the date of allotment.

Further details on settlement, listing and dealing will be included in the Prospectus.

9. General Meeting

A notice convening a General Meeting to be held at 23 Lower Belgrave Street, London, SW1W 0NR at 2 p.m. on 12 January 2021 at which the Resolutions will be proposed is set out in Part X (the "**Notice of General Meeting**"). The purpose of the General Meeting is to consider and, if thought fit, pass the Resolutions, as set out in full in the Notice of General Meeting.

The Resolutions propose that:

1. Resolution 1 – the proposed merger of Chrysaor and Premier on the terms and subject to the conditions set out in the Merger Agreement and all other associated agreements and ancillary arrangements related to the Merger Agreement, be approved;

2. Resolution 2 – the waiver granted by the Takeover Panel of the obligations which may otherwise arise pursuant to Rule 9 of the Takeover Code for any member of the Concert Party to make a general offer for the entire issued share capital of Premier as a result of (i) the issue to the Concert Party of the Consideration Shares pursuant to the Merger Agreement, and/or (ii) the exercise by Premier of the Buyback Authority, be approved (the "**Whitewash Resolution**");

3. Resolution 3 – the Directors be granted authority to: (i) allot the New Ordinary Shares and equity securities in connection with the Merger, the Debt Restructuring, the Top-Up Election, the New Equity Warrants and the New Warrant Shares, respectively, in accordance with section 551 of the Companies Act 2006; (ii) allot additional Ordinary Shares in order to give effect to the customary anti-dilution provisions contained in the New Equity Warrant Deed Poll in the event that such customary anti-dilution provisions require the Company to allot additional Ordinary Shares to holders of the New Equity Warrants (in accordance with the terms of the New Equity Warrant Deed Poll); and (iii) allot the Creditor Shares (including any Creditor Shares issued pursuant to the Top-Up Election at a price equal to US$0.1144, which based on the prevailing foreign exchange rate, represented a discount of approximately 60.32 percent. to the Closing Price on the Latest Practicable Date);

4. Resolution 4 – subject to and conditional upon the passing of Resolutions 1, 2 and 3 above, the Subdivision of each Existing Ordinary Share into one New Ordinary Share of 0.0001 pence each and one Non-Voting Deferred Share of 12.4999 pence each be approved (the "**Subdivision Resolution**", and together with Resolutions 1, 2 and 3 above and to the extent required to implement the Merger and the Debt Restructuring, Resolution 6 below, the "**Merger, Whitewash and Debt Restructuring Resolutions**");

5. Resolution 5 – subject to and conditional upon the passing of the Merger, Whitewash and Debt Restructuring Resolutions, the Directors be granted authority to allot Ordinary Shares for general purposes and to grant rights to subscribe for or to convert any security into shares in the Company. This authority would be in substitution for the authority to allot Ordinary Shares which was given to the Directors at the 2020 AGM (but in addition to the amount set out in relation to the allotment of the New Ordinary Shares in connection with the Merger and the Debt Restructuring) and would expire on 12 March 2022. The new authority would give the Directors authority to allot Ordinary Shares and to grant rights to subscribe for or to convert any security into shares in the Company with an aggregate nominal amount of £12,340.44, which would represent approximately two-thirds of the total share capital of the Company in issue immediately following the Merger and the Debt Restructuring (assuming that no further Ordinary Shares are issued in connection with the Employee Share Schemes in the period from the publication of this document to completion of the Merger and the Debt Restructuring);

6. Resolution 6 – the Directors be granted authority to allot the New Ordinary Shares and equity securities for cash to the extent required in connection with the Merger, the Debt Restructuring, the Top-Up Election, the New Equity Warrants and the New Warrant Shares, respectively, as if section 561 of the Companies Act 2006 did not apply; and

7. Resolution 7 – subject to and conditional upon the passing of the Merger, Whitewash and Debt Restructuring Resolutions, the Directors be granted authority to disapply statutory pre-emption rights in respect of the issue of Ordinary Shares by the Company for cash consideration: (i) by way of rights to Shareholders in proportion to their respective holdings of such shares (excluding shares held in treasury); and (ii) generally (otherwise than pursuant to (i) above), up to an aggregate nominal value of £925.53 which would represent approximately five per cent. of the total share capital of the Company in issue immediately following the Merger and the Debt Restructuring (assuming that no further Ordinary Shares are issued in connection with the Employee Share Schemes in the period from the publication of this document until the completion of the Merger and the Debt Restructuring). Such authority would be in substitution for the authority to disapply pre-emption rights which was given to the Directors at the 2020 AGM (but in addition to the amount set out in relation to the allotment of the New Ordinary Shares in connection with the Merger and the Debt Restructuring at Resolution 6) and would expire on 12 March 2022,

   (Resolutions 6 to 7, together with the Merger, Whitewash and Debt Restructuring Resolutions, the "**Resolutions**").

Resolutions 6 and 7 are special resolutions to disapply pre-emption rights and will pass if more than 75 per cent. of the votes cast (either in person or by proxy) are in favour. The Companies Act and the Listing Rules provide that shareholders may authorise the disapplication of pre-emption rights by a special resolution, either generally or specifically, for a maximum period not exceeding five years. The purpose of Resolution 6 is to disapply pre-emption rights in connection with the issue of equity securities for cash in connection with the Debt Restructuring. The purpose of

Resolution 7 is to disapply pre-emption rights in connection with any issue of equity securities for cash under the authority proposed to be granted to Directors under Resolution 5 until 12 March 2022.

If the Merger, Whitewash and Debt Restructuring Resolutions are passed by the Shareholders and the Restructuring Plans are sanctioned by the relevant Courts, as a matter of company law pre-emption rights would not apply in respect of the allotment of equity securities in connection with the Merger and the Debt Restructuring, but this would not necessarily be the case under the Listing Rules. Resolution 6 is therefore being proposed to enable the Company to comply with its continuing obligation under the Listing Rules to seek the disapplication of pre-emption rights in connection with an issue of equity securities for cash to the extent that such disapplication is required.

If the Merger proceeds, the Directors will exercise powers to allot and issue New Ordinary Shares to Chrysaor's shareholders in exchange for Chrysaor shares, a form of non-cash consideration. The allotment and issue of New Ordinary Shares in connection with the Merger would therefore would not constitute an issue of equity securities for cash to which pre-emption rights apply. However, for technical reasons the proposed allotment and issue of New Ordinary Shares and New Equity Warrants in connection with the Debt Restructuring may, depending on how the transaction is structured, constitute an issue of equity securities for cash under the Listing Rules as the statutory definition of cash consideration includes a release of a liability of the company for a liquidated sum. The Directors have not made a final decision on the implementation steps for the Debt Restructuring and are therefore seeking the authority under Resolution 6 to have the flexibility to pursue a structure which for Listing Rules purposes would be considered an issue of equity securities for cash. The Directors may ultimately decide to implement the Debt Restructuring by other means which do not require use of the authority under Resolution 6, for example, by issuing New Ordinary Shares and New Equity Warrants in consideration for the transfer to it of certain shares in a Jersey-incorporated subsidiary of the Company, which will result in the Company owning the entire issued share capital of the Jersey subsidiary the assets of which would comprise debt claims transferred as part of the Debt Restructuring and any cash payable in connection with the Top-up Election. Accordingly, instead of receiving cash (including the release of liabilities) as consideration for the New Ordinary Shares and New Equity Warrants the Company would receive shares in the Jersey subsidiary, a form of non-cash consideration, and pre-emption rights would therefore not apply with respect to equity securities issued in connection with the Debt Restructuring.

In light of COVID -19 restrictions, the Directors have put in place a number of practical arrangements in relation to the General Meeting to safeguard the health and wellbeing of its shareholders and employees, whilst giving shareholders the maximum opportunity to have their say.

Location of the General Meeting

The General Meeting will be held at the Company's London Office at 23 Lower Belgrave Street. In order to satisfy the minimum quorum requirements pursuant to Article 49 of the Company's Articles of Association, only a small number of the Company's employees will be physically present at the General Meeting. Appropriate social distancing measures will be observed by these attendees.

There will be no other attendees physically present at the General Meeting.

Voting at the General Meeting

Given the current COVID -19 restrictions, we strongly encourage you to vote electronically or to vote by proxy, as you will be unable to attend and vote at the General Meeting in person.

If you wish to vote by proxy, you are asked to complete and return the enclosed Form of Proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrar by not later than 2 p.m. on Friday 8 January 2021 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). You can submit your proxy via the internet by accessing www.premier-oil-shares.com. If you are a member of CREST you may be able to use the CREST electronic proxy appointment service. In the case of institutional investors you may utilise the Proxymity platform. Proxies sent electronically must be sent as soon as possible and, in any event, so as to be received by not later than 2 p.m. on Friday 8 2021 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

Please note that, pursuant to Article 51 of the Company's Articles of Association, anyone seeking to attend the General Meeting will be refused in order to allow the Company to comply with the UK Government's current COVID-19 restrictions and to ensure the safety of those attending the General Meeting.

Webcast and questions

To enable our shareholders to listen to the General Meeting, a webcast facility will be available at www.premier-oil.com. The webcast will be 'listen only'; any questions for the General Meeting should be submitted in advance.

Given that the General Meeting is an opportunity for shareholders to ask questions of the Board in relation to the business of the General Meeting, the Resolutions and the Company's operations, the Company is keen to ensure that this dialogue continues, despite the challenges faced by COVID-19 and the COVID-19 restrictions. The Company will therefore be accepting questions for the General Meeting via email (investor.relations@premier-oil.com) or, alternatively, written questions by post sent to the Company's Registrar, Link Asset Services. The Company reserves the right to summarise and/or aggregate questions of a similar nature and responses given will be in relation to the business of the General Meeting only. Any questions to be put to the General Meeting should be submitted by the close of business on Friday 8 January 2021.

For further details in respect of the General Meeting, please see Part X (*Notice of General Meeting*) of this Circular.

10. Action to be taken

You will find enclosed with this document the Form of Proxy for use at the General Meeting or at any adjournment thereof. You are requested to complete and sign the Form of Proxy in accordance with the instructions printed on it and return it as soon as possible to, but in any event so as to be received no later than 2 p.m. on Friday 8 January 2021 by the Registrar, Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or electronically via the internet. Instructions on how to do this can be found on the Form of Proxy. You may also deliver the Form of Proxy by hand to Registrar, Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU during usual business hours. CREST members may also choose to use the CREST electronic proxy appointment service in accordance with the procedures set out in the notice convening the General Meeting at Part X of this document. The lodging of the Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting at the General Meeting in person if you so wish.

11. Further information

You should read the whole of this document and the Prospectus in respect of the Merger and the Debt Restructuring, as well as the information incorporated by reference into both of these documents, and not merely rely on the summarised information contained in Part I of this document and Part I of the Prospectus.

In particular, your attention is drawn to the risk factors set out in Part II of this document and the information incorporated by reference into this document as listed in paragraph 1 of Part V (*Operating and financial review relating to the Premier Group)*) of the Prospectus.

The results of the votes cast at the General Meeting will be announced as soon as possible once known through a Regulatory Information Service and on the Premier website (www.premier-oil.com). It is expected that this will be on 13 January 2021.

12. Working capital

Premier is of the opinion that if the Merger and the Debt Restructuring complete, and taking into account the financing facilities that will be available to the Combined Group after completion of the Merger and the Debt Restructuring, the working capital available to the Combined Group would be sufficient for the Combined Group's present requirements, that is for at least the next 12 months following the date of this document.

13. Important Information on the Merger and the Debt Restructuring

The Debt Restructuring is subject to certain conditions which must be satisfied or waived, including:

(A) the Merger, Whitewash and Debt Restructuring Resolutions having been passed by Shareholders at the General Meeting;

(B) the Restructuring Plans (which are inter-conditional) having been approved by the requisite majorities at the Restructuring Plan Creditor Meetings, sanctioned by the relevant Courts and a copy of the sanction orders delivered to the Registrar of Companies for Scotland or the Registrar of Companies for England and Wales (as applicable);

(C) each of the Non-XCCY Hedge Counterparties having given any consents required in connection with the Debt Restructuring, which the Non-XCCY Hedge Counterparties have undertaken to do pursuant to the Non-XCCY Hedging Support Letters;

(D) satisfaction of certain documentary conditions in respect of conditions precedent that are customary for a secured financing transaction and/or are within the control of the Premier Group;

(E) the FCA and the LSE each having approved the applications for Admission to take place (by not later than 30 September 2021, or such later date as may be agreed by Premier, Chrysaor and the Majority Creditors provided that such later date may not be later than 1 December 2021) (the "**Long-Stop Date**"); and

(F) payment of certain costs associated with the Debt Restructuring.

Each Restructuring Plan requires approval from either (i) 75 per cent. in value of each class of Restructuring Plan Creditors in that Restructuring Plan, or (ii) 75 per cent. in value of at least one class of Restructuring Plan Creditors in that Restructuring Plan who would receive a payment, or have a genuine economic interest in Premier, POUK or POHL (as relevant) in the event of the relevant alternative to that Restructuring Plan, present and voting either in person or by proxy at the relevant meeting ordered to be summoned by (in the case of Premier and POUK) the Scottish Court and (in the case of POHL) the English Court. If (ii) applies, then the Scottish Court and the English Court (as applicable) may only sanction the Restructuring Plans if, among other things, none of the members of the dissenting class of classes of Restructuring Plan Creditors would be any worse off under the Restructuring Plan than they would be in the event of the relevant alternative.

The classes of Restructuring Plan Creditors in each Restructuring Plan are:

(A) Super Senior XCCY Restructuring Plan Creditors;

(B) Super Senior RCF/LC Restructuring Plan Creditors; and

(C) Senior Restructuring Plan Creditors.

Super Senior XCCY Restructuring Plan Creditors representing 100 per cent. of the estimated Super Senior XCCY Exposures as at 30 November 2020, Super Senior RCF/LC Restructuring Plan Creditors representing 92 per cent. of the aggregate outstanding commitments under the Super Senior Secured RCF/LC Facilities and Senior Restructuring Plan Creditors representing 86 per cent. of the aggregate exposure under (i) outstanding commitments under the Senior Secured Debt Facilities, and (ii) the aggregate of the Senior XCCY Exposures, have entered into the Support Letter (the terms of which are described in paragraph 5.1 of Part VIII (*Additional Information*)) whereby they have undertaken to support the Debt Restructuring (including the Interim Maturity Extension), including by voting in favour of the Restructuring Plans.

The Support Letter is subject to termination rights, including the ability of the Majority Creditors to terminate upon the occurrence of certain events of default under the Existing Debt Facilities, the material breach by Chrysaor or Premier of certain undertakings given in the Support Letter or following a decision by the Board to withdraw its recommendation of the Merger. In addition, the Support Letter will automatically terminate on the earliest to occur of the following: (i) where the Merger Agreement is terminated in accordance with its terms, the Interim Maturity Extension becomes effective; (ii) an insolvency event occurs in relation to certain Premier Group companies; (iii) the Long-Stop Date; and (iv) the Debt Restructuring becomes effective.

The Directors believe that, based on the level of support which the Debt Restructuring has received to date, and subject to the remaining conditions of the Merger Agreement being satisfied and

Shareholders resolving to pass the Merger, Whitewash and Debt Restructuring Resolutions at the General Meeting, the risk of the conditions described in (B), (C), (D) and (F) above not being satisfied is remote and that it is therefore likely that the Debt Restructuring will have completed by 31 May 2021. Likewise, the Directors have no reason to believe that the applications for Admission will not be approved by the FCA and the LSE and accordingly consider the non-satisfaction of condition (E) to be very low risk.

As a contingency in case the Debt Restructuring has not completed by 31 May 2021, the Participating Creditors have undertaken pursuant to the Support Letter to support, and vote in favour of the Restructuring Plans in order to implement and the Interim Maturity Extension, which once effective, would extend the maturity date of Premier's existing debt facilities from 31 May 2021 to 31 March 2022. The Interim Maturity Extension is subject to certain conditions which must be satisfied or waived, including:

(A) the Restructuring Plans (which are inter-conditional) having been approved by the requisite majorities at the Restructuring Plan Creditor Meetings, sanctioned by the relevant Courts and a copy of the sanction orders delivered to the Registrar of Companies for Scotland or the Registrar of Companies for England and Wales (as applicable);

(B) each of the Non-XCCY Hedge Counterparties have given any consents required in connection with the Debt Restructuring, which the Non-XCCY Hedge Counterparties have undertaken to do pursuant to the Non-XCCY Hedging Support Letters;

(C) satisfaction of certain documentary conditions in respect of conditions precedent that are customary for a secured financing transaction and/or are within the control of the Premier Group; and

(D) payment of certain costs associated with the Debt Restructuring.

The Directors believe that, given the undertakings given by Participating Creditors pursuant to the Support Letter and the limited number of conditions to the effectiveness of the Interim Maturity Extension, it is very unlikely that the Interim Maturity Extension will not have completed by 31 May 2021. In addition, there are no further circumstances which could lead to the Interim Maturity Extension not completing once the conditions (A) to (D) listed above have been satisfied. However, if any of the conditions described above were not satisfied or waived, the Interim Maturity Extension would not become effective, and it would be likely that the Premier Group would enter into insolvency proceedings on or before 31 May 2021.

Timing

If neither the Debt Restructuring nor the Interim Maturity Extension becomes effective by 31 May 2021, the outstanding debt under the Existing Debt Facilities and exposures under the XCCY Swaps will mature or crystallise on that date. Premier does not consider that it will be able to repay this outstanding debt, in which case the Private Creditors, the XCCY Hedge Counterparties and the Retail Bondholders could take immediate steps to enforce their security over shares in the companies comprising the Premier Group and other key assets of the Premier Group. As at 31 October 2020, the amount outstanding under the Premier Group's financing arrangements which could be required to be repaid following a breach of its financial covenants was approximately US$2.2 billion.

Further, the Premier Group's leverage and interest cover financial covenants for the testing periods ended on 30 June 2020 and 30 September 2020 have been deferred under the Support Letter (and, prior to that, under the Stable Platform Agreement). The Support Letter waives the Premier Group's financial covenants until the date which is 45 days after the termination of the Support Letter, other than in certain limited circumstances, including where the Support Letter terminates on the date on which the Debt Restructuring or (where the Merger Agreement has terminated) the Interim Maturity Extension becomes effective. For further information on the termination events under the Support Letter, please refer to the Risk Factor entitled "*The Support Letter may be terminated in accordance with its terms on the occurrence of certain specified events*".

If the deferrals contained in the Support Letter (and, prior to that, the Stable Platform Agreement) had not been obtained, the Premier Group would have breached the financial covenants contained in the Override Agreement in respect of the testing periods ended on 30 June 2020 and 30 September 2020. Accordingly if the Support Letter terminates (other than as a result of the Debt

Restructuring becoming effective or (where the Merger Agreement has terminated) the Interim Maturity Extension becoming effective), there will be an event of default 45 days after such termination unless the Premier Group is able to secure further deferrals of a similar nature. If the Support Letter terminates as a result of (where the Merger Agreement has terminated) the Interim Maturity Extension becoming effective, there will be an immediate event of default unless the Premier Group is able to secure further deferrals of a similar nature and unless the Majority Creditors have previously exercised a right to terminate the Support Letter. If an event of default were to occur in these circumstances, the Private Creditors would have the right to declare the Private Debt Facilities (which totalled US$2.2 billion as at 31 October 2020) immediately due and payable, which if exercised would in turn trigger an event of default under the XCCY Swaps and cross-default under the Retail Bonds (which total £150 million). The Private Creditors, the XCCY Hedge Counterparties and the Retail Bondholders would also have the right to take immediate steps to enforce their security over shares in the companies comprising the Premier Group and other key assets of the Premier Group.

As a result, regardless of whether the Interim Maturity Extension becomes effective prior to 31 May 2021, unless the Premier Group can obtain equivalent financial covenant deferrals to the ones contained in the Support Letter, it is possible that the Premier Group's facilities and exposures under the XCCY Swaps will become payable before 31 May 2021 as a consequence of the events of default and acceleration of the Premier Group's debt described above. Premier considers that the Premier Group would not be able to repay the facilities and exposures under the XCCY Swaps in these circumstances. As noted above, the amount outstanding under the Premier Group's financing arrangements which could be required to be repaid following a breach of its financial covenants was approximately US$2.2 billion as at 31 October 2020.

Covenant shortfall and implications of default

In circumstances where neither the Debt Restructuring nor the Interim Maturity Extension completes, the ability of members of the Premier Group to continue trading will therefore depend upon:

- a significant portion of its creditors providing further financial covenant deferrals upon termination of the Support Letter; and
- the Premier Group agreeing, before 31 May 2021, either: (i) an alternative plan for the implementation of the Debt Restructuring with its creditors and Chrysaor within the timeframe contained within the Support Letter; or (ii) an alternative transaction to address its debt facilities with its creditors.

While Premier has obligations under the Support Letter in respect of the preparation and agreement of contingency plans for a scenario where the Debt Restructuring does not complete, there is no certainty that any alternative plan for the implementation of the Debt Restructuring or alternative transaction to address its debt facilities will be agreed and implemented prior to 31 May 2021. In particular, factors such as the very limited time until the maturity date under the Premier Group's existing debt facilities, the Premier Group's large and diverse creditor group, volatile credit markets and/or the outlook for oil and gas prices will impact the Premier Group's ability to achieve this. It would therefore be likely, in the event that the Debt Restructuring does not complete, that the Premier Group would enter into insolvency proceedings on or before the existing maturity date under the Existing Debt Facilities of 31 May 2021, which the Directors consider would likely result in no value being returned to Shareholders.

In circumstances where the Merger and the Debt Restructuring does not complete but the Interim Maturity Extension does complete, the ability of members of the Premier Group to continue trading will therefore depend upon:

- a significant portion of its creditors providing further financial covenant deferrals upon termination of the Support Letter; and
- the Premier Group agreeing, before 31 March 2022, either: (i) an alternative plan for the implementation of the Merger and the Debt Restructuring with its creditors and Chrysaor within the timeframe contained within the Support Letter; or (ii) an alternative transaction to address its debt facilities with its creditors.

Even if Premier could agree an alternative plan for the implementation of the Merger and Debt Restructuring or an alternative transaction to address its debt facilities while at the same time ensuring that a significant portion of its creditors continue to provide further financial covenant deferrals, the terms of any such alternative plan or alternative transaction are likely to be materially worse for the Shareholders than the Merger and the Debt Restructuring, and may involve no value being returned to Shareholders.

If Premier cannot negotiate an alternative plan or transaction with its creditors, Premier would likely enter into insolvency proceedings, which the Directors consider would likely result in no value being returned to Shareholders. This is because even if the Interim Maturity Extension is implemented, the Premier Group will be dependent on continued deferrals of its financial covenants from a significant portion of its creditors in order to continue to trade. Even if Premier is able to secure financial covenant deferrals for the period until 31 March 2022, the Directors do not consider that the Premier Group will be able to repay its outstanding debt when it matures on that date

14. Importance of the vote

It is critical that Shareholders vote in favour of the Merger, Whitewash and Debt Restructuring Resolutions at the General Meeting so that the Merger and the Debt Restructuring can proceed, subject to other conditions being satisfied.

If the Merger, Whitewash and Debt Restructuring Resolutions are not passed:

- the Merger will not proceed;
- the Debt Restructuring (other than the Interim Maturity Extension) will not proceed; and
- as set out in more detail in sections 4.2 of Part I (*Letter from the Chairman*), the ability of members of the Premier Group to continue trading will depend upon (i) a significant portion of its creditors providing further financial covenant relief upon termination of the Support Letter; and (ii) the Premier Group agreeing, before 31 March 2022, either: (x) an alternative plan for the implementation of the Merger and the Debt Restructuring with its creditors and Chrysaor within the timeframe contained within the Support Letter; or (y) an alternative transaction to address its debt facilities with its creditors.

If no alternative plan to implement the Merger and the Debt Restructuring were agreed, the Board would seek to negotiate an alternative transaction to address its Existing Debt Facilities and XCCY Swaps with its creditors (although these discussions could not start until expiry of a 20-business day period during which Chrysaor and Participating Creditors have agreed that they will not engage in any negotiations with any other party in connection with any similar transaction to the Merger and the Debt Restructuring or alternative transaction relating to the Premier Group). There is no certainty that the creditors would engage with the Board in those circumstances or that any negotiations regarding an alternative transaction would be successful. In particular, the following factors are likely to affect the Premier Group's ability to negotiate an alternative transaction:

- although the Premier Group has retained the support of a significant group of its creditors in negotiating and agreeing the terms of the Debt Restructuring, it is likely that, if the Merger and the Debt Restructuring do not become effective, some or all of the creditors who are currently supportive could become less supportive of the Premier Group or could sell their debt-holdings to parties whose interests may not be aligned with the Premier Group;
- any doubt as to the Premier Group's ability to continue as a going concern following the non-completion of the Merger and the Debt Restructuring could have a material and adverse commercial impact on the Premier Group's trading, which could in turn lead to liquidity problems for the Premier Group; and
- the impact of COVID-19, volatile credit markets and/or the outlook for oil and gas prices.

If Premier cannot negotiate an alternative transaction to address its debt facilities with its creditors, Premier would likely enter into insolvency proceedings, which the Directors consider would likely result in no value being returned to Shareholders. This is because even if the Interim Maturity Extension is implemented, the Premier Group will be dependent on continued deferrals of its financial covenants from a significant portion of its creditors in order to continue to trade. Even if Premier is able to secure financial covenant deferrals for the period until 31 March 2022, the Directors do not consider that the Premier Group will be able to repay its outstanding debt when it matures on that date.

Even if negotiations were successful, the terms of any alternative transaction to address its debt facilities are likely to be materially worse for Shareholders than the Merger and the Debt

Restructuring, and may result in no value at all for Shareholders. In particular, the creditors may state that, as a condition to their continuing support, any alternative transaction must involve a portion of their existing debt being exchanged for new ordinary shares in Premier, which would lead to very significant dilution for the Shareholders or Shareholders losing their entire interest in the Premier Group. Alternatively, creditors may indicate that they are only prepared to support the marketing and sale of the Premier Group's assets to a third party purchaser, which may be implemented in conjunction with the filing for insolvency of the Company and/or other companies within the Premier Group, and/or the enforcement of security. Given the value of the Premier Group's assets relative to the amount outstanding under its debt facilities and the security granted over such assets in favour of the Premier Group's creditors, it is unlikely that such a sale would result in any value for Shareholders.

In deciding whether or not to vote in favour of the Merger, Whitewash and Debt Restructuring Resolutions at the General Meeting, Shareholders should take into consideration, among other things: (i) that the Premier Group is currently dependent upon the ongoing support of a significant group of its creditors to continue as a going concern; (ii) that if the Merger, Whitewash and Debt Restructuring Resolutions are not approved, although Participating Creditors will still be obliged under the terms of the Support Letter to support the Interim Maturity Extension, the financial covenant deferrals included in the Support Letter would fall away when the Interim Maturity Extension becomes effective, which would put the Premier Group into default under its debt facilities; (iii) in such a scenario, the ability of members of the Premier Group to continue trading will depend upon Premier being able to negotiate either an alternative plan to implement the Merger and the Debt Restructuring with its creditors and Chrysaor or an alternative transaction to address its debt facilities with its creditors; (iv) the terms of any such alternative plan or alternative transaction are likely to be materially worse for the Shareholders than the Merger and the Debt Restructuring, and may involve no value being returned to Shareholders; and (v) if Premier cannot negotiate an alternative plan or alternative transaction, Premier would likely enter into insolvency proceedings on or before the extended maturity date of 31 March 2022, which the Directors consider would likely result in no value being returned to Shareholders.

Accordingly, it is critical that Shareholders vote in favour of the Merger, Whitewash and Debt Restructuring Resolutions at the General Meeting so that the Merger and the Debt Restructuring can proceed, subject to other conditions being satisfied.

15. Financial advice

The Directors have received financial advice in relation to the Merger from RBC. In providing such financial advice in relation to the Merger, RBC have taken into account the Directors' commercial assessments of the Merger.

16. Recommendation

The Directors consider the Merger, Rule 9 Waiver and the Debt Restructuring to be in the best interests of the Company and its Shareholders taken as a whole. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Resolutions, as the Directors intend to do (or procure to be done), in respect of their beneficial holdings, which amount to 562,568 Existing Ordinary Shares in aggregate as at the Latest Practicable Date (representing approximately 0.06 per cent. of Premier's issued share capital at the Latest Practicable Date). In addition, the Directors, who have been so advised by RBC, consider the Merger, the Rule 9 Waiver and the Debt Restructuring to be fair and reasonable and in the best interests of Premier and Shareholders as a whole and accordingly unanimously recommends Shareholders to vote in favour of the Merger, the Whitewash Resolution and the Debt Restructuring, as they intend to do in respect of their own shareholdings.

Yours sincerely,

Roy A. Franklin
Chairman

PART II – RISK FACTORS

Shareholders should be aware that a shareholding in Premier involves a degree of risk. In addition to the other information contained in, or incorporated by reference into this document, the following risk factors should be considered carefully in evaluating whether to vote in favour of the Resolutions.

The risk factors in this document set out the necessary disclosure in accordance with the Listing Rules, and do not seek to cover all of the material risks which generally affect the Premier Group.

The risks and uncertainties described below represent those known to the Board as at the date of this document which the Board consider to be material risks relating to the Merger and Debt Restructuring, in addition to material risks relating to the Combined Group which result from or are impacted by the Merger and Debt Restructuring. However, these risks and uncertainties are not the only ones facing the Premier Group or, following the completion of the Merger, the Combined Group. Additional risks and uncertainties that do not currently exist or that are not currently known to the Board, or that the Board currently consider to be immaterial, could also have a material adverse effect on the business, results of operations, financial condition or prospects of the Premier Group or, following the completion of the Merger, the Combined Group.

If any or a combination of the events described below actually occurs, the business, results of operations, financial conditions or prospects of the Premier Group or, following the completion of the Merger, the Combined Group could be materially and adversely impacted. In such case, the market price of Premier shares could decline and investors may lose all or part of its investment.

Shareholders should read this document as a whole and not rely solely on the information set out in this section.

SECTION A: RISKS RELATING TO THE DEBT RESTRUCTURING

1. If the Interim Maturity Extension becomes effective but the Merger and the Debt Restructuring do not proceed, the ability of members of the Premier Group to continue trading will depend on ongoing support from the Premier Group's creditors

On 6 October 2020, the Company agreed a term sheet with Chrysaor and a sub-set of the Premier Group's creditors in respect of the Debt Restructuring, and the wider group of Private Creditors and XCCY Hedge Counterparties were invited to approve the term sheet and undertake to support the Merger and the Debt Restructuring by entering into the Support Letter. The Merger and the Debt Restructuring are each subject to certain conditions which must be satisfied or waived, as described further in the risk factors entitled "*The Merger is conditional upon certain conditions which may not be satisfied, as a result of which the Merger will not be implemented on its current terms or at all*" and "*The Debt Restructuring and the Interim Maturity Extension are each subject to a number of conditions that must be satisfied in order for it to proceed*". If any of the conditions to the Merger or the Debt Restructuring are not satisfied or waived, the Merger and the Debt Restructuring (other than the Interim Maturity Extension) will not proceed.

In order to allow time for the Merger to complete, or alternatively in the event the Merger, Whitewash and Debt Restructuring Resolutions are not passed to agree and implement an alternative plan for implementation of the Merger and the Debt Restructuring or, if that is not possible, an alternative transaction to address the Existing Debt Facilities, the Participating Creditors have undertaken pursuant to the Support Letter to support, and vote in favour of the Restructuring Plans in order to implement, the Interim Maturity Extension, which will extend the maturity date of the Existing Debt Facilities and XCCY Swaps from 31 May 2021 to 31 March 2022. The Interim Maturity Extension is subject to certain conditions which must be satisfied or waived, including:

(A) the Restructuring Plans (which are inter-conditional) having been approved by the requisite majorities at the Restructuring Plan Creditor Meetings, sanctioned by the relevant Courts and a copy of the sanction orders delivered to the Registrar of Companies for Scotland or the Registrar of Companies for England and Wales (as applicable);

(B) each of the Non-XCCY Hedge Counterparties having given any consents required in connection with the Debt Restructuring, which the Non-XCCY Hedge Counterparties have undertaken to do pursuant to the Non-XCCY Hedging Support Letters;

(C) satisfaction of certain documentary conditions in respect of conditions precedent that are customary for a secured financing transaction and/or are within the control of the Premier Group; and

(D) payment of certain costs associated with the Debt Restructuring.

Without the financial covenant deferrals contained in the Support Letter (and, prior to the Support Letter, those deferrals contained in the Stable Platform Agreement), the Company and certain of its subsidiaries would have breached certain of the financial covenants contained in the Private Debt Facilities in respect of the testing periods ended 30 June 2020 and 30 September 2020.

The financial covenant deferrals contained in the Support Letter will remain in place until the Interim Maturity Extension becomes effective, unless the Support Letter is terminated in accordance with its terms. The Support Letter is subject to termination rights, including, amongst others, the ability of the Majority Creditors to terminate upon the occurrence of certain events of default under the Existing Debt Facilities, the material breach by Chrysaor or Premier of certain undertakings given in the Support Letter or following a decision by the Board to withdraw its recommendation of the Merger. In addition, the Support Letter will automatically terminate on the earliest to occur of the following: (i) where the Merger Agreement is terminated in accordance with its terms and the Interim Maturity Extension becomes effective; (ii) an insolvency event occurs in relation to certain Premier Group companies; (iii) the Long-Stop Date; and (iv) the Merger and the Debt Restructuring becomes effective. If the Support Letter is terminated in accordance with its terms, the financial covenant deferrals contained in the Support Letter will terminate 45 days after the termination of the Support Letter, other than in certain limited circumstances, including where the Support Letter terminates on the date on which the Debt Restructuring becomes effective or (where the Merger Agreement has terminated) the Interim Maturity Extension becomes effective. Further details in respect of the termination rights under the Support Letter are set out under the Risk Factor entitled "*The Support Letter may be terminated in accordance with its terms on the occurrence of certain specified events.*"

If Premier were unable to secure further deferrals of a similar nature or if Premier were to breach financial covenants in respect of a subsequent testing period without a deferral or waiver in place, there would be an event of default under the Override Agreement.

If an event of default were to occur in these circumstances, the Private Creditors would have the right to declare the Private Debt Facilities (which totalled US$2.2 billion as at 31 October 2020) immediately due and payable, which if exercised would in turn trigger an event of default under the XCCY Swaps and cross-default under the Retail Bonds (which total £150 million). The Private Creditors, the XCCY Hedge Counterparties and the Retail Bondholders would also have the right to take immediate steps to enforce their security over shares in certain Premier Group companies and certain other key assets of the Premier Group.

As a result, if the Debt Restructuring (other than the Interim Maturity Extension) does not proceed and the Premier Group does not secure future financial covenant deferrals, and even though the Interim Maturity Extension will become effective, it is expected that the Premier Group's Existing Debt Facilities and exposures under the XCCY Swaps will become payable before 31 March 2022 as a consequence of the events of default and acceleration of the Premier Group's debt described above. Premier considers that the Premier Group would not be able to repay the Existing Debt Facilities and exposures under the XCCY Swaps in these circumstances. Even if Premier is able to secure future financial covenant deferrals for the period until 31 May 2022, Premier does not consider that the Premier Group will be able to repay the outstanding debt under its Existing Debt Facilities and exposures under the XCCY Swaps when they mature, or crystallise (as relevant) on that date in which case the events of default, acceleration and enforcement of security described above could occur.

Therefore, in circumstances where the Merger, Whitewash and Debt Restructuring Resolutions are not passed, and the Interim Maturity Extension becomes effective, the ability of members of the Premier Group to continue trading will depend upon:

- a significant portion of its creditors providing further financial covenant deferrals upon termination of the Support Letter; and

- the Premier Group agreeing, before 31 March 2022, either: (i) an alternative plan for the implementation of the Merger and the Debt Restructuring with its creditors and Chrysaor within the timeframe contained in the Support Letter; or (ii) an alternative transaction to address its Existing Debt Facilities and exposures under the XCCY Swaps with its creditors.

Premier has an obligation under the Support Letter to provide information, access and cooperation in order for Participating Creditors to develop contingency plans for a scenario where the Merger, Whitewash and the Debt Restructuring are not implemented. As outlined above, where the Interim Maturity Extension has become effective but the Merger, Whitewash and Debt Restructuring Resolutions are not passed and the Premier Group is therefore dependent on support from its creditors to continue trading, the creditors will be able to require Premier to take steps to implement any contingency plans which are developed by the Participating Creditors as a condition to the provision of their continuing support.

In addition to this general obligation in respect of contingency planning, Premier is required under the terms of the Support Letter to work together with Chrysaor and Participating Creditors in good faith to agree and prepare an alternative plan to implement the Merger and the Debt Restructuring in the event that the Merger, Whitewash and Debt Restructuring Resolutions are not passed (which could involve the filing for insolvency of the Company and/or other companies within the Premier Group, and/or the enforcement of security). In addition, Chrysaor and Participating Creditors have agreed that they will not engage in any negotiations with any other party in connection with any similar transaction to the Merger, Whitewash and the Debt Restructuring or alternative transaction relating to the Premier Group, other than an alternative plan to implement the Merger and the Debt Restructuring, for a period of 20 business days after the General Meeting at which the Merger, Whitewash and Debt Restructuring Resolutions are not passed. It is likely that any alternative plan to implement the Merger and the Debt Restructuring would provide for minimal or no recovery for Shareholders.

If no alternative plan to implement the Merger and the Debt Restructuring was agreed, the Board would seek to negotiate an alternative transaction to address its Existing Debt Facilities with its creditors (although these discussions could not start until expiry of the 20-business day period referred to above). There is no certainty that the creditors would engage with the Board in those circumstances or that any negotiations regarding an alternative transaction would be successful. In particular, the following factors are likely to affect the Premier Group's ability to negotiate an alternative transaction:

- although the Premier Group has retained the support of a significant group of its creditors in negotiating and agreeing the terms of the Debt Restructuring, it is likely that, if the Merger and the Debt Restructuring do not become effective, some or all of the creditors who are currently supportive could become less supportive of the Premier Group or could sell their debt-holdings to parties whose interests may not be aligned with the Premier Group;
- any doubt as to the Premier Group's ability to continue as a going concern following the non-completion of the Merger and the Debt Restructuring could have a material and adverse commercial impact on the Premier Group's trading, which could in turn lead to liquidity problems for the Premier Group; and
- the impact of COVID-19, volatile credit markets and/or the outlook for oil and gas prices.

If Premier cannot negotiate an alternative transaction to address its Existing Debt Facilities with its creditors, Premier would likely enter into insolvency proceedings, on or before 31 March 2022, which the Directors consider would likely result in no value being returned to Shareholders. This is because even if the Interim Maturity Extension is implemented, the Premier Group will be dependent on continued deferrals of its financial covenants from a significant portion of its creditors in order to continue to trade. Even if Premier is able to secure financial covenant deferrals for the period until 31 March 2022, the Directors do not consider that the Premier Group will be able to repay its outstanding debt when it matures on that date.

Even if negotiations were successful, the terms of any alternative transaction to address its Existing Debt Facilities are likely to be materially worse for Shareholders than the Merger and the Debt Restructuring, and may result in no value at all for Shareholders. In particular, the creditors may state that, as a condition to their continuing support, any alternative transaction must involve a portion of their existing debt being exchanged for new ordinary shares in Premier, which would lead to very significant dilution for the Shareholders or Shareholders losing their entire interest in the Premier Group. Alternatively, creditors may indicate that they are only prepared to support the marketing and sale of the Premier Group's assets to a third party purchaser, which may be implemented in conjunction with the filing for insolvency of the Company and/or other companies within the Premier Group, and/or the enforcement of security. Given the value of the Premier Group's assets relative to the amount outstanding under its Existing Debt Facilities and the security granted over such assets in favour of the Premier Group's creditors, it is unlikely that such a sale would result in any value for Shareholders.

2. If the Interim Maturity Extension does not become effective and the Merger and the Debt Restructuring do not proceed, the Premier Group's financial position would be materially adversely affected and it is likely that companies within the Premier Group would be placed into insolvency procedures on or before 31 May 2021

As noted in the previous risk factor, in order to allow time for the Merger to complete, or alternatively in the event the Merger, Whitewash and Debt Restructuring Resolutions are not passed to agree and implement an alternative plan for implementation of the Merger and the Debt Restructuring or, if that is not possible, an alternative transaction to address the Existing Debt Facilities, the Participating Creditors have undertaken pursuant to the Support Letter to support, and vote in favour of the Restructuring Plans in order to implement, the Interim Maturity Extension, which will extend the maturity date to 31 March 2022. The Interim Maturity Extension is subject to certain conditions which must be satisfied or waived, including:

(A) the Restructuring Plans (which are inter-conditional) having been approved by the requisite majorities at the Restructuring Plan Creditor Meetings, sanctioned by the relevant Courts and a copy of the sanction orders delivered to the Registrar of Companies for Scotland or the Registrar of Companies for England and Wales (as applicable);

(B) each of the Non-XCCY Hedge Counterparties having given any consents required in connection with the Debt Restructuring, which the Non-XCCY Hedge Counterparties have undertaken to do pursuant to the Non-XCCY Hedging Support Letters;

(C) satisfaction of certain documentary conditions in respect of conditions precedent that are customary for a secured financing transaction and/or are within the control of the Premier Group; and

(D) payment of certain costs associated with the Debt Restructuring.

If any of the conditions described above were not satisfied or waived, the Interim Maturity Extension would not become effective, and it would be likely that the Premier Group would enter into insolvency proceedings on or before 31 May 2021.

If neither the Debt Restructuring nor the Interim Maturity Extension becomes effective by 31 May 2021, the outstanding debt under the Premier Group's Existing Debt Facilities and exposures under the XCCY Swaps will mature or crystallise on that date. Premier does not consider that it will be able to repay this outstanding debt, in which case the Private Creditors, the XCCY Hedge Counterparties and the Retail Bondholders could take immediate steps to enforce their security over shares in the companies comprising the Premier Group and other key assets of the Premier Group. The amount outstanding under the Premier Group's financing arrangements which would be required to be repaid on 31 May 2021 is US$2.2 billion.

Further, the Premier Group's leverage and interest cover financial covenants for the testing periods ended on 30 June 2020 and 30 September 2020 have been deferred under the Support Letter (and, prior to that, under the Stable Platform Agreement). The Support Letter waives the Premier Group's financial covenants through to the earlier of: (a) the date on which the Debt Restructuring becomes effective or (where the Merger Agreement has terminated) the Interim Maturity Extension becomes effective; and (b) the date that is 45 days following the termination of the Support Letter. Details in respect of the termination rights under the Support Letter are set out under the Risk Factor entitled "*The Support Letter may be terminated in accordance with its terms on the occurrence of certain specified events*.".

If the deferrals contained in the Support Letter (and, prior to that, the Stable Platform Agreement) had not been obtained, the Premier Group would have breached the financial covenants contained in the Override Agreement in respect of the testing periods ended on 30 June 2020 and

30 September 2020. Accordingly if the Support Letter terminates (other than as a result of the Debt Restructuring becoming effective or (where the Merger Agreement has terminated) the Interim Maturity Extension becoming effective), there will be an event of default 45 days after such termination unless the Premier Group is able to secure further deferrals of a similar nature. If an event of default were to occur in these circumstances, the Private Creditors would have the right to declare the Private Debt Facilities (which totalled US$2.2 billion as at 31 October 2020) immediately due and payable, which if exercised would in turn trigger an event of default under the XCCY Swaps and cross-default under the Retail Bonds (the principal value of which amounts to £150 million in aggregate). The Private Creditors, the XCCY Hedge Counterparties and the Retail Bondholders would also have the right to take immediate steps to enforce their security over shares in certain Premier Group companies and certain other key assets of the Premier Group.

As a result, if the Support Letter terminates (other than as a result of the Debt Restructuring becoming effective or (where the Merger Agreement has terminated) the Interim Maturity Extension becoming effective) prior to 31 May 2021, and the Premier Group does not secure further financial covenant deferrals, it is expected that the Premier Group's Existing Debt Facilities and exposures under the XCCY Swaps will become payable before 31 May 2021 as a consequence of the events of default and acceleration of the Premier Group's debt described above. Premier considers that the Premier Group would not be able to repay the Existing Debt Facilities and exposures under the XCCY Swaps in these circumstances. The amount outstanding under the Premier Group's Existing Debt Facilities and exposures under the XCCY Swaps which could be required to be repaid following a breach of its financial covenants was approximately US$2.2 billion as at 31 October 2020.

In such circumstances, the ability of members of the Premier Group to continue trading will therefore depend upon:

- a significant portion of its creditors providing further financial covenant deferrals upon termination of the Support Letter; and
- the Premier Group agreeing, before 31 May 2021, either: (i) an alternative plan for the implementation of the Debt Restructuring with its creditors and Chrysaor within the timeframe contained within the Support Letter; or (ii) an alternative transaction to address its Existing Debt Facilities and exposures under the XCCY Swaps with its creditors.

While Premier has obligations under the Support Letter in respect of the preparation and agreement of contingency plans for a scenario where the Debt Restructuring does not complete, there is no certainty that any alternative plan for the implementation of the Debt Restructuring or alternative transaction to address its Existing Debt Facilities and XCCY Swaps will be agreed and implemented prior to 31 May 2021. The factors outlined above as being likely to affect negatively the Premier Group's ability to negotiate an alternative transaction will be more pronounced where the Premier Group has less than six months until the Existing Maturity Date (which is the position as at the date of this Prospectus), and will become more pronounced still the closer the Premier Group gets to the Existing Maturity Date. It would therefore be likely, in the event that the Debt Restructuring does not complete, that the Premier Group would enter into insolvency proceedings on or before the existing maturity date under the Existing Debt Facilities and the XCCY Swaps of 31 May 2021, which the Directors consider would likely result in no value being returned to Shareholders.

3. The Debt Restructuring and the Interim Maturity Extension are each subject to a number of conditions that must be satisfied in order for it to proceed

The Debt Restructuring (other than the Interim Maturity Extension) is inter-conditional with the completion of the Merger, and subject to certain conditions which must be satisfied or waived, including:

(A) the Merger, Whitewash and Debt Restructuring Resolutions having been passed by Shareholders at the General Meeting;

(B) the Restructuring Plans (which are inter-conditional) having been approved by the requisite majorities at the Restructuring Plan Creditor Meetings, sanctioned by the relevant Courts and a copy of the sanction orders delivered to the Registrar of Companies for Scotland or the Registrar of Companies for England and Wales (as applicable);

(C) each of the Non-XCCY Hedge Counterparties having given any consents required in connection with the Debt Restructuring, which the Non-XCCY Hedge Counterparties have undertaken to do pursuant to the Non-XCCY Hedging Support Letters;

(D) satisfaction of certain documentary conditions in respect of conditions precedent that are customary for a secured financing transaction and/or are within the control of the Premier Group;

(E) the FCA and the London Stock Exchange each having approved the applications for Admission to take place (by not later than the Long Stop Date); and

(F) payment of certain costs associated with the Debt Restructuring.

If any of these conditions are not satisfied or waived (to the extent applicable) the Debt Restructuring will not proceed. For the consequences of the Debt Restructuring (other than the Interim Maturity Extension) not proceeding, please refer to the Risk Factor entitled "*If the Interim Maturity Extension becomes effective but the Merger and the Debt Restructuring do not proceed, the ability of members of the Premier Group to continue trading will depend on ongoing support from the Premier Group's creditors*".

In order to allow time for the Merger to complete, or alternatively in the event the Merger, Whitewash and Debt Restructuring Resolutions are not passed to agree and implement an alternative plan for implementation of the Merger and the Debt Restructuring or, if that is not possible, an alternative transaction to address the Existing Debt Facilities, the Participating Creditors have undertaken pursuant to the Support Letter to support, and vote in favour of the Restructuring Plans in order to implement, the Interim Maturity Extension. The Interim Maturity Extension is subject to certain conditions which must be satisfied or waived, including:

(A) the Restructuring Plans (which are inter-conditional) having been approved by the requisite majorities at the Restructuring Plan Creditor Meetings, sanctioned by the relevant Courts and a copy of the sanction orders delivered to the Registrar of Companies for Scotland or the Registrar of Companies for England and Wales (as applicable);

(B) each of the Non-XCCY Hedge Counterparties having given any consents required in connection with the Debt Restructuring, which the Non-XCCY Hedge Counterparties have undertaken to do pursuant to the Non-XCCY Hedging Support Letters;

(C) satisfaction of certain documentary conditions in respect of conditions precedent that are customary for a secured financing transaction and/or are within the control of the Premier Group; and

(D) payment of certain costs associated with the Debt Restructuring.

If any of the conditions described above were not satisfied or waived, the Interim Maturity Extension would not become effective, and it would be likely that the Premier Group would enter into insolvency proceedings on or before 31 May 2021. For the consequences of the Interim Maturity Extension not becoming effective, please refer to the Risk Factor entitled "*If the Interim Maturity Extension does not become effective and the Merger and the Debt Restructuring do not proceed, the Premier Group's financial position would be materially adversely affected and it is likely that companies within the Premier Group would be placed into insolvency procedures on or before 31 May 2021*".

4. *The Support Letter may be terminated in accordance with its terms on the occurrence of certain specified events*

The Support Letter contains termination provisions allowing for termination in certain, specified circumstances. In particular, the Support Letter may be terminated at the election of the Majority Creditors in certain circumstances, including, if:

- the Merger, Whitewash and Debt Restructuring Resolutions are not approved by Shareholders at the General Meeting and an alternative plan for implementation of the Merger and the Debt Restructuring has not been agreed between Premier, Chrysaor and the Participating Creditors within 20 business days of the General Meeting;

- an event of default arises under the Existing Debt Facilities or the XCCY Swaps (other than an event of default which has been remedied or waived or has arisen, or deemed to have arisen, directly as a result of the implementation of the Merger and the Debt Restructuring), such events of default being customary for financing arrangements of the size and nature of the Existing Debt Facilities, including events of default relating to non-payment, insolvency, insolvency proceedings, misrepresentation and cross-default, among other things.;
- relevant members of the Premier Group breach the terms of the Support Letter in any material respect or any representation or warranty by the relevant members of the Premier Group under the Support Letter is materially incorrect or misleading;
- Chrysaor breaches certain undertakings given by it under the Support Letter in any material respect. These undertakings include, among other things: (i) to support the Debt Restructuring; (ii) not to take any action which would be inconsistent with the Merger or the Debt Restructuring in any material respect; and (iii) to instruct its legal advisers to negotiate the documentation required to implement the Debt Restructuring on the terms of the agreed term sheets in good faith;
- the Board decides to withdraw, suspend, qualify or adversely modify or amend, the recommendation of the Merger set out in the Circular in circumstances where Chrysaor has not elected to terminate the Merger Agreement and an alternative plan for implementation of the Merger and the Debt Restructuring has not been agreed between Premier, Chrysaor and the Participating Creditors;
- at any Restructuring Plan Creditor Meeting the requisite majorities by value of creditors entitled to vote on such Restructuring Plan have not voted for such Restructuring Plan such that any of the Restructuring Plans are not approved;
- certain milestones are not completed (including the posting of the explanatory statement relating to the Restructuring Plans to the Restructuring Plan Creditors by 28 February 2021 and the Merger, Whitewash and Debt Restructuring Resolutions being approved by Shareholders by 30 April 2021) within the relevant timeframe (as may be extended) other than where Premier has provided evidence that this is as a result of a breach by Chrysaor of its obligation under the Support Letter to provide reasonable assistance to enable Premier meet those milestones;
- either the English Court or the Scottish Court issues a judgment refusing to sanction all or any of the Restructuring Plans which is either (a) not appealed by any party within the period of time in which to bring such an appeal under Scottish or English law (as applicable), or (b) appealed within such period of time and such appeal is unsuccessful;
- either the English Court or the Scottish Court issues an order preventing the Company, POUK or POHL from implementing the Debt Restructuring or Restructuring Plans which is either (a) not appealed by any party, or (b) appealed and such appeal is unsuccessful; or
- where Chrysaor has notified the Company that the Company has breached the Merger Agreement in a manner which provides any of the Harbour/Chrysaor Parties the right to terminate the Merger Agreement and none of the Harbour/Chrysaor Parties exercises its termination right, or the Merger, Whitewash and Debt Restructuring Resolutions are not approved by shareholders at the General Meeting, an alternative plan for implementation of the Merger and the Debt Restructuring has not been agreed between Premier, Chrysaor and the Participating Creditors within 20 business days of such notification.

In addition, the Support Letter will automatically terminate on the earliest to occur of the following: (i) where the Merger Agreement has terminated in accordance with its terms and the Interim Maturity Extension becomes effective; (ii) an insolvency event occurs in relation to certain Premier Group companies; (iii) the Long-Stop Date; and (iv) the Debt Restructuring becomes effective.

The Long Stop Date for completion of the Merger and the Debt Restructuring, as set out in the Support Letter, is 30 September 2021 or such later date as Premier, Chrysaor and the Majority Creditors agree provided such date is not later than 1 December 2021. If any of the conditions to the Debt Restructuring becoming effective summarised in the Risk Factor entitled "*The Debt Restructuring and the Interim Maturity Extension are each subject to a number of conditions that* *must be satisfied in order for it to proceed*" above does not take place by the Long Stop Date (as amended or extended), then the Debt Restructuring will not proceed.

Should the Support Letter terminate, the parties to it would not be obliged to support the Debt Restructuring (or the Interim Maturity Extension), including by voting in favour of the Restructuring Plans. For the consequences of the Debt Restructuring (other than the Interim Maturity Extension) not proceeding, please refer to the Risk Factor entitled "*If the Interim Maturity Extension becomes effective but the Merger and the Debt Restructuring do not proceed, the ability of members of the Premier Group to continue trading will depend on ongoing support from the Premier Group's creditors*". For the consequences of the Interim Maturity Extension not becoming effective, please refer to the Risk Factor entitled "*If the Interim Maturity Extension does not become effective and the Merger and the Debt Restructuring do not proceed, the Premier Group's financial position would be materially adversely affected and it is likely that companies within the Premier Group would be placed into insolvency procedures on or before 31 May 2021*".

SECTION B: RISKS RELATING TO THE MERGER

1. The Merger is conditional upon certain conditions which may not be satisfied, as a result of which the Merger and the Debt Restructuring would not be implemented on its current terms or possibly at all

The Merger is subject to the satisfaction (or waiver, where applicable) of certain conditions contained in the Merger Agreement (which is summarised in more detail in Part III (*Terms and conditions of the Merger*)), including, among other things, the approval of the Merger, Whitewash and Debt Restructuring Resolutions by Shareholders at the General Meeting, the Restructurings Plans having been sanctioned by the relevant Courts and delivered to Companies House, consent having been obtained from the regulatory authorities in the United Kingdom, Norway and the Falkland Islands and competition clearances having been obtained from the European Commission and the relevant competition authorities in Mexico and Vietnam. While the required competition clearance has been received from the European Commission conditional approval has been received from and the relevant regulatory authorities in Norway, there is no guarantee that the remaining outstanding conditions will be satisfied (or waived, if applicable), in which case the Merger and the Debt Restructuring would not be implemented on its current terms or possibly at all.

If the Merger, Whitewash and Debt Restructuring Resolutions are not approved by Shareholders at the General Meeting, the Merger and the Debt Restructuring cannot proceed on their current terms, and Premier is required under the terms of the Support Letter to work together with Chrysaor and Participating Creditors in good faith to agree and prepare an alternative plan to implement the Merger and the Debt Restructuring (which could involve the filing for insolvency of the Company and/or other companies within the Premier Group, and/or the enforcement of security). In addition, Chrysaor and Participating Creditors have agreed that they will not engage in any negotiations with any other party in connection with any similar transaction to the Merger and the Debt Restructuring or alternative transaction relating to the Premier Group, other than an alternative plan to implement the Merger and the Debt Restructuring, for a period of 20 business days after the General Meeting at which the Merger, Whitewash and Debt Restructuring Resolutions are not passed. It is likely that any alternative plan to implement the Merger and the Debt Restructuring would provide for minimal or no recovery for Shareholders. As such, it is very important that Shareholders vote in favour of each of the Merger, Whitewash and Debt Restructuring Resolutions at the General Meeting so that the Merger and the Debt Restructuring can proceed.

If the Merger does not proceed to completion, the benefits expected to result from the Merger will not materialise either at all or in part. The market price of the Ordinary Shares may decline if, among other reasons, the Merger does not proceed to completion.

2. The anticipated benefits from the Merger will depend on the Combined Group's ability to integrate the Premier Group and the Chrysaor Group

The Combined Group may encounter integration challenges in connection with the Merger, including challenges which are not currently foreseeable or which relate to the COVID-19 pandemic.

The integration process may take longer than expected, or difficulties relating to the integration, of which the Board is not yet aware, including unforeseen operating difficulties, may arise and pose management, administrative and financial challenges. In particular, the integration process may be made more challenging as a result of any restrictions put in place by governments in the UK and elsewhere in response to the COVID-19 pandemic which are continuing at the time of completion of the Merger. In addition, unanticipated costs may be incurred in respect of the integration of the Premier Group and the Chrysaor Group. This could adversely affect the delivery of the anticipated benefits from the Merger, and the Combined Group may not be successful in addressing risks or problems encountered in connection with the integration and failure to do so may adversely affect its business or financial condition.

Furthermore, the Directors believe the combination of the businesses of the Premier Group and the Chrysaor Group has the potential to generate significant synergies through operating, financing and other cost savings. However, there is a risk that such synergy benefits will fail to materialise, for example, if the Merger is not completed as contemplated, or that such synergy benefits may be materially lower than may otherwise have been possible, which would have a significant impact on the profitability of the Combined Group in the future.

The ability to achieve the potential synergies is dependent upon a significant number of factors, some of which may be beyond the control of the Combined Group. These factors include, for example, the ability of Premier Group personnel and Chrysaor Group personnel to work together effectively to put in place a new efficient organisation. Workplace practices and cultures are likely to differ between the Premier Group and the Chrysaor Group, and given the two parties' workforces have not worked together in the past, these differences may be counter-productive. This may result in synergy benefits taking longer to materialise or being diminished. The market price of the Ordinary Shares may decline as a result of the Merger if, among other reasons, the integration of the Premier Group and the Chrysaor Group is delayed or unsuccessful or potential synergy benefits fail to materialise.

3. The Premier Group and, following completion of the Merger, the Combined Group may be subject to unforeseen liabilities and risks arising from the Merger

Whilst the Premier Group has had access to certain publicly available information on the Chrysaor Group and has reviewed information disclosed by Chrysaor during the sale process, there can be no assurance that material assets held by members of the Chrysaor Group are not subject to third party rights and liabilities of which the Premier Group is unaware. Whilst some warranty protection is provided for by Chrysaor management under the Management Warranty Deed, which has been insured through warranty and indemnity insurance, these warranties, protections and insurance are subject to financial and other customary limitations and exclusions and there is no certainty that Premier would be able to enforce its contractual or other rights against Chrysaor management or recover the full amount of any losses suffered by the Combined Group from insurers. The market price of the Ordinary Shares may decline as a result of the Merger if, among other reasons, material assets held by members of the Chrysaor Group are subject to liabilities or third party rights of which the Premier Group is unaware or if Premier is unable to enforce its contractual or other rights against Chrysaor management as and when expected, or at all, or unable to recover the full amount of any losses suffered by the Combined Group from insurers. Further details regarding the Merger are set out in Part III (*Terms and Conditions of the Merger*).

The Combined Group may also be subject to personnel-related risks arising from the Merger. In particular, members of the Premier Group workforce may become disengaged from maintaining the performance of the Premier Group as a result of uncertainty associated with the Merger. The Premier Group's business delivery could be negatively impacted by this and, absent any mitigation efforts, there may also be a deterioration in the health, safety and environmental performance of the Combined Group.

4. Merger-related costs, including transition and integration costs, may exceed Premier's expectations

Premier expects to incur costs in relation to the Merger, including transition, integration and post-completion costs in order to integrate the Premier Group and the Chrysaor Group. The actual costs of the transition and integration process may exceed those estimated and there may be further additional and unforeseen expenses incurred in connection with the Merger and the Debt Restructuring. In addition, Premier will incur legal, accounting and transaction fees and other costs relating to the Merger and the Debt Restructuring, some of which are payable whether or not the Merger and the Debt Restructuring is completed. The market price of the Ordinary Shares may decline as a result of the Merger and the Debt Restructuring if, among other reasons, the effect of the Merger and the Debt Restructuring on Premier's financial results, including the actual costs of the transition and integration process (for example, in connection with ensuring effective workforce integration) and Merger-related costs, is not consistent with the expectations of investors.

5. The Merger Agreement contain covenants and warranties in favour of the Harbour/Chrysaor Parties

Premier has given covenants and warranties to the Harbour/Chrysaor Parties, which are customary for a transaction of this nature. Further details of the Merger Agreement are set out in Part III (*Terms and Conditions of the Merger*). If Premier is required to make payments under any of the provisions described above, this could have an adverse effect on its, and, following the completion of the Merger, the Combined Group's, cash flow and financial condition. The market price of the Ordinary Shares may decline as a result of the Merger if, among other reasons, the effect of the Merger on Premier's financial results, including the effect on the Combined Group's cash flow and financial condition resulting from any of the payments described above, is not consistent with the expectations of investors.

6. Readmission and Admission may not occur when expected

The Merger and the Debt Restructuring are each conditional upon (among other things) the FCA and the London Stock Exchange having confirmed to Premier that applications relating to Admission have been approved by no later than the Long Stop Date of 30 September 2021 (or such later date as is agreed by the relevant parties).

Readmission of the Existing Ordinary Shares and Admission of the New Ordinary Shares to trading on the London Stock Exchange's main market for listed securities will become effective as soon as a dealing notice has been issued by the FCA and the London Stock Exchange has acknowledged that the Existing Ordinary Shares and the New Ordinary Shares will be admitted to trading. There can be no guarantee that any conditions to which the Readmission and the Admission are subject will be met or that the FCA will issue a dealing notice.

7. A break fee may be payable by Premier if the Merger is terminated in certain circumstances

If Premier is not in an offer period (as defined in the Takeover Code) and (i) the recommendation of the Merger by the Board of Premier is withdrawn, suspended, qualified or adversely modified or amended; (ii) the Merger does not complete because Premier is in breach of certain of its obligations under the Merger Agreement; (iii) the Support Letter is terminated by Chrysaor in circumstances where creditor(s) holding a significant proportion of the debt take action in breach of the Support Letter which effectively blocks the Restructuring Plans; or (iv) the Premier Shareholders do not vote in favour of the Merger at the General Meeting (except in circumstances where a third party announces an offer under Rule 2.7 of the Takeover Code and the Board decides to recommend such offer), and, if Chrysaor decide to terminate on the occurrence of one of the events listed above, Premier has agreed to pay a break fee equal to 1 per cent. of Premier's market capitalisation on 6 October 2020 to Chrysaor, which would amount to US$1.8 million.

However, Premier will not be obliged to pay a break fee (i) during any offer period (as defined in the Takeover Code) unless and until the third party offer or possible offer that commenced that offer period and all competing third party offers subsequently lapse or are withdrawn; or (ii) if the third party offer or possible offer becomes unconditional as to acceptances (in accordance with the Takeover Code) or if an implementing scheme of arrangement in respect of such offer becomes effective. Premier will also not be obliged to pay a break fee if the parties to the Merger Agreement agree to disregard the break fee trigger event following a Rule 21.2 determination by the Takeover Panel.

SECTION C: RISKS RELATING TO THE PREMIER GROUP AND, FOLLOWING THE COMPLETION OF THE MERGER, THE COMBINED GROUP AS A RESULT OF THE MERGER

1. Potential health, safety, environmental and security risks may materialise

As an international operator of oil and gas fields, the Premier Group is, and, following completion of the Merger, the Combined Group will be, exposed to a wide range of HSES risks. These include:

- major accidents;
- failure to comply with approved policies and local regulation;
- effects of natural disasters and pandemics (including the COVID-19 pandemic);

- social unrest;
- civil war and terrorism;
- exposure to general operational hazards;
- health and safety of personnel;
- crime; and
- cyber security attacks.

The consequences of such risks materialising could include injuries to personnel, loss of life, environmental accidents, damage to operating assets and disruption to business activities. Depending on cause and severity, the materialisation of such risks may give rise to liabilities and may materially affect the Premier Group's or, following completion of the Merger, the Combined Group's reputation, business, prospects, results of operations and financial condition. For example, the COVID-19 pandemic has resulted in travel restrictions, quarantines and similar measures being imposed by governments and organisations with a view to containing the spread of the pandemic. Such measures have depressed global economic activity, leading to a sharp decline in both the demand for and the price of hydrocarbons, including in countries that are major consumers of hydrocarbons produced by the Premier Group. Moreover, the quarantine of personnel, the inability or unwillingness of personnel to access sites offshore, restrictions on business travel and reduced productivity that may arise from remote working due to various factors, including potential technical limitations, may adversely affect the Premier Group's reputation, business, prospects, results of operations and financial condition and, following completion of the Merger, those of the Combined Group.

In addition, failure by the Premier Group or, following completion of the Merger, the Combined Group to comply with applicable legal requirements or recognised international standards may give rise to significant liabilities. HSES laws and regulations may over time become more complex and stringent or the subject of increasingly strict interpretation or enforcement. The terms of licences may include more stringent HSES requirements. The obtaining of exploration, development or production licences and permits may become more difficult or be the subject of delay by reason of governmental, regional or local environmental consultation, approvals or other considerations or requirements. These factors may lead to delayed or reduced exploration, development or production activity as well as to increased costs, which in turn could have a material adverse effect on the Premier Group's and the Combined Group's business, operating results, financial condition or prospects.

2. Hydrocarbon exploration, development and production operations may be affected by operational hazards or other factors which may result in unforeseen liabilities and adversely affect future cash flows

The delivery of production plans depends on the successful continuation of existing field production operations and the development of new field operations. Both of these involve risks normally incidental to such activities including:

- loss of well control arising from the influx of formation fluids into the wellbore which could potentially lead to uncontrollable flows of oil, gas or well fluids;
- explosions or fires;
- equipment damage or failure;
- integrity issues of ageing infrastructure;
- effects of natural disasters and pandemics;
- geological uncertainties;
- impacts of adverse weather conditions;
- pollution and other environmental risks;
- hazards inherent to marine operations, including capsizing, sinking, grounding and vessel collision;
- lack of availability of technology or engineering capacity;

- lack of availability of skilled or competent workers; and
- other technical, fiscal, regulatory and political risks.

Such risks may result in delays to project schedules, increases in project costs or reduction in operating profitability. Such potential obstacles may also impair the continuation of the Premier Group's and, following completion of the Merger, the Combined Group's existing field production and delivery of key projects and, in turn, the operational performance, cash flows and financial position (including the financial impact from failure to fulfil contractual commitments related to project delivery) of the Premier Group and, following completion of the Merger, the Combined Group.

Occurrence of these hazards could also lead to injury to personnel, loss of life and environmental damage. These events could also cause substantial damage to the Premier Group's and the Combined Group's property and reputation and put at risk some or all of their interests in licences. These events could also result in fines, penalties and criminal sanctions against the Premier Group and the Combined Group and their management, as well as other governmental and third party claims. Moreover, should these risks materialise, the Premier Group and the Combined Group may incur legal defence costs, remedial costs and substantial losses, including those due to injury or loss of life, human health risks, severe damage to or destruction of property, natural resources and equipment, environmental damage, unplanned production outages, clean up responsibilities, regulatory investigation and penalties, increased public interest in the Premier Group's and the Combined Group's performance and suspension of operations. The production performance of the reservoirs and wells may also be different from that forecast due to normal geological or mechanical uncertainties.

In addition, the Premier Group and the Combined Group may face interruptions or delays in the availability of infrastructure, including rigs, platforms, floating, production, storage and offloading ("**FPSO**") vessels, terminals and pipelines, on which exploration and production activities are dependent. Additionally, to the extent that the Premier Group and following completion of the Merger, the Combined Group, is not the operator of an oil and gas asset, they are, or will be, dependent on the relevant operator for the timing of activities related to such assets and may be subject to risk of interruptions or delays that are out of their control. Any such interruptions, delays or performance differences could result in disruptions or changes to the Premier Group's, the Chrysaor Group's and/or or the Combined Group's existing production and projects, lower production and increased costs, and may have a material adverse effect on their business, operating results, financial condition or prospects.

3. *The Premier Group and, following completion of the Merger, the Combined Group may face interruptions or delays in the availability of infrastructure, including pipelines and storage facilities, on which exploration and production activities are dependent; production performance may also differ from that forecast*

The Premier Group's production activities are and, following the completion of the Merger, the Combined Group's production activities will be dependent upon the continued availability of oil and gas pipelines and transportation systems, many of which are shared with third party producers and/ or operated by third parties.

Shared infrastructure risks are faced by the Premier Group's and will be faced by the Combined Group following completion of the Merger. The Premier Group's production assets in the mature Central and Southern North Sea basins, rely on access to the Central Area Transmission System (the "**CATS**"), the Forties Pipeline System (the "**FPS**") and the Shearwater Elgin Area Line (the "**SEAL**"). In addition, the Premier Group's assets in the Catcher Area are reliant on the Catcher FPSO (which is currently operated by BWO) and, once the Tolmount development produces first gas (scheduled for Q2 2021), the Premier Group and the Combined Group will be dependent on the Easington Terminal (currently operated by Centrica) in order to utilise the Tolmount Area. Moreover, gas produced from the Premier Group's offshore gas fields in Indonesia is exported to Singapore via the 540 kilometre West Natuna Transportation System pipeline (the "**WNTS**"), which is the only means of exporting gas from these fields. The Chrysaor Group's assets also rely on third-party operated infrastructure such as the CATS, the FPS, the Glen Lyon FPSO, the Scottish Area Gas Evacuation ("**SAGE**") System, the West of Shetlands Pipeline, the Frigg UK Pipeline and the Norpipe Oil Pipeline.

If any of these pipelines, terminals, systems or FPSO (or any infrastructure connecting to the respective pipeline, terminal, system or FPSO) experiences mechanical problems, an explosion, adverse weather conditions, a terrorist attack, labour dispute or any other event that causes an interruption in operations or a shut-down, the Premier Group's and/or the Combined Group's ability to transport oil could be severely affected.

Furthermore, for assets that use the services of different hosts for transportation and processing of their production the Premier Group and the Combined Group could encounter challenges in maintaining control of costs. Use of third-party infrastructure is in general subject to tariff charges, which can be substantial and the per barrel charge will not be subject to the Combined Group direct control. For example, the existing tariffing arrangements with CATS and FPS could be replaced with more expensive cost sharing arrangements as production levels in the host systems decrease.

4. The Combined Group's production will be concentrated in UKCS offshore fields, which may make it vulnerable to risks associated with having the substantial majority of its production in one region

In the financial year ended 31 December 2019, 69.1 per cent. of the Premier Group's production came from offshore fields situated within the UK Continental Shelf (the "**UKCS**"), with the remainder of production in Indonesia and Vietnam, and all of the Chrysaor Group's production came from offshore fields situated within the UKCS. As a result of the Merger, approximately 91 per cent. of the Combined Group's production will be from UKCS offshore fields, which may make it vulnerable to risks associated with having the substantial majority of its production in one region.

The UKCS is prone to difficult weather conditions that in some cases may prevent the Premier Group or, following the completion of the Merger, the Combined Group, from transporting supplies, personnel and fuel to facilities, which may cause production shut-downs or slow-downs. For example, during the winter of 2018, sub-zero temperatures and snowfall across Europe caused UK gas outages at British sites supplying gas from the North Sea, as a result of which the Chrysaor Group was required to shut-in operated platforms at the Armada, Everest and Lomond fields for approximately two weeks in late February 2018. If mechanical problems, storms or other events curtail production or cause damage to any of the Premier Group's or the Combined Group's facilities, this may have a material adverse effect on the Premier Group's or the Combined Group's business, operating results, financial condition or prospects.

As a result of the Combined Group's increased concentration in the UKCS following the completion of the Merger, the Combined Group may be disproportionately exposed to the effect of regional supply and demand factors, delays or interruptions of production from wells in this area caused by processing or transportation capacity constraints, governmental regulation, availability of equipment, equipment failure, facilities, personnel or services market limitations, weather events or interruption of the processing or transportation of oil, each of which or in combination may have a material adverse effect on the Combined Group's business, operating results, financial condition or prospects.

Finally, as the Combined Group's production will be substantially UK-focused, it may be disproportionately impacted by changes to governmental regulation of oil production which could occur following the UK's planned withdrawal from the European Union. In addition, following completion of the Merger, a substantial number of the Combined Group's assets will be located in what might be considered to be the territorial waters of any future Scottish state, following any future second independence referendum. For further detail, see the Risk Factor entitled "*Political, security, economic, legal, regulatory and social uncertainties and changes to the Premier Group's and/or, following completion of the Merger, the Combined Group's relationship with governments, regulators and communities where they operate may affect business in key territories*."

5. The Premier Group and, following completion of the Merger, the Combined Group may not be able to sanction development projects required to convert their resources into production and may face delays or cost overruns in executing sanctioned development projects

The Premier Group has a number of development and pre-development projects, including Sea Lion in the Falkland Islands, Zama in Mexico and Tolmount in the UK. Furthermore, following completion of the Merger, the Combined Group will have additional development and pre-development projects that are in various phases of development without current production, including the Chrysaor Group's projects in the Talbot field and the Clair South field in the UK, and the Grevling discovery in Norway. The Premier Group's and the Combined Group's ability to sanction or execute development projects is subject to a number of factors, including the availability of financing on acceptable terms, the consent of its creditors and field partners and (in appropriate cases) its ability to reduce its exposure to development costs and risk by farming down part of its interest or through other appropriate means. With a larger number of development and pre-development projects competing for capital and resources, the Combined Group may also seek to manage its pipeline of projects in order to spread the Combined Group's capital requirements, prioritise projects which are regarded as strategically more important or which are expected to deliver higher returns, and ensure it can dedicate sufficient resources to the projects that are underway at any one time.

Failure to sanction or execute development projects would mean that the Premier Group and, following completion of the Merger, the Combined Group will be unable to realise the value of their resources by converting them into production. Development projects may also be subject to delays or cost overruns that could result in them being less profitable than forecast, generating cash later than expected or requiring additional expenditure. In the case of projects that are expected to result in significant production, delays in completing the project could have a material adverse effect on the Premier Group's or the Combined Group's business, operating results, financial condition or prospects.

In response to changes in market conditions during the first half of 2020, Premier has taken action to defer development activity across its portfolio to reduce expenditure, for instance in relation to Sea Lion, Zama and Tolmount. There is also a risk that, if market conditions, and the effects of COVID-19 (for instance, the quarantine of personnel, the inability or unwillingness of personnel to access sites offshore and restrictions on business) persist, these developments may not deliver the anticipated upsides.

In the context of market conditions and following a proactive review of each of its assets and related capital and decommissioning expenditure plans, significant reductions and deferrals were identified for Chrysaor's 2020 programme, representing an overall US$575 million / 44 per cent. reduction in planned capital and decommissioning expenditure for the year.

6. *Political, security, economic, legal, regulatory and social uncertainties and changes to the Premier Group's and/or, following completion of the Merger, the Combined Group's relationship with governments, regulators and communities where they operate may affect business in key territories*

The Premier Group operates, and in the future the Combined Group will operate, in some countries where political, security, public health, economic, legal, regulatory and social transition is taking place. Changes in politics, security, laws and regulations in the countries in which the Premier Group operates, and in which the Combined Group will operate, or which affect third parties with whom the Premier Group does business and with whom the Combined Group will do business, could affect operations and earnings. Such circumstances could include:

- forced divestment of assets, including expropriation and nationalisation of property;
- limits on production or cost recovery;
- import and export restrictions;
- imposition of sanctions or similar measures in respect of countries in which the Premier Group or the Combined Group operate or in respect of partners, suppliers or customers of the Premier Group or the Combined Group;
- changes to legislation due to climate change and other environmental regulations;
- international conflicts including war;
- civil unrest and local security concerns that threaten the safe operation of the Premier Group's or the Combined Group's facilities;
- price controls;

- lack of predictability and adverse changes to the operational, regulatory, legal or fiscal regime, including changes in oil or gas pricing or taxation policy, suspension of projects or the renegotiation or nullification of existing concession contracts;
- uncertain implementation of legislation and difficulties in ascertaining (or enforcing) the Premier Group's or the Combined Group's legal obligations and rights, including adverse retrospective amendment and/or cancellation of contractual rights;
- excessive local content requirements;
- measures taken, including changes in legislation or economic policy, to contain the spread of COVID-19; and
- outbreak of severe communicable diseases, such as COVID-19, which may be widespread and uncontrolled.

On 23 June 2016, a majority of voters in the UK voted in favour of the UK's withdrawal from the EU (commonly referred to as "**Brexit**"). Pursuant to legislation approved by the UK Parliament and the EU Parliament in January 2020, the UK withdrew from the EU with effect from 11:00 p.m. on 31 January 2020 on the terms of a withdrawal agreement agreed between the UK and the EU in October 2019 (the "**Withdrawal Agreement**"). The Withdrawal Agreement provides that the UK's withdrawal is followed by a "transition period", during which, in summary, the UK is not a member of the EU but most EU rules and regulations continue to apply to the UK. During the transition period, the UK and the EU are seeking to negotiate the terms of a long-term trading relationship between the UK and the EU based on a "Political Declaration" agreed between the UK and the EU in October 2019. The transition period provided for in the Withdrawal Agreement will expire on 31 December 2020 (unless the period of transition is extended by mutual agreement).

As a result of a long-term trading relationship not yet having been agreed and no guarantee that any such agreement will be reached, the UK's future relationship with the EU remains unclear. The future applicability and treatment of EU derived laws and regulations also remains uncertain, and there could be significant changes to the fiscal, monetary and regulatory landscape in the UK, which could affect the Premier Group's and the Combined Group's operations and earnings.

The result of the EU referendum in the UK, the UK 2019 general election and, more recently, the UK's withdrawal from the EU and to a degree differing responses from the UK Government and the Scottish Government to the COVID-19 pandemic has revived political uncertainty regarding Scottish independence. Such uncertainty might potentially result in additional risks to the Premier Group (with Premier, among other members of the Premier Group, being incorporated in Scotland) and the Combined Group, each of which has operations in Scotland and interests in assets located on the UKCS, which are territorially within the United Kingdom but might be claimed by a future government of an independent Scotland as part of its territorial waters. There is no guarantee that current UK laws and regulations regarding licensing and other matters will not change should Scotland become independent from the UK and any changes in the regulatory regime as a result of Scottish independence could result in increased costs to comply with new regulations or a change in the standards of the Premier Group's and the Combined Group's operations.

The Premier Group's Prospective operations in the Falkland Islands may be delayed if a future Argentine government escalates the dispute with the UK about the Falkland Islands' sovereignty. In such a scenario, potential joint venture partners and supply chain contractors with significant business interests in Argentina, or Latin America more broadly, may be less willing to co-operate with the Premier Group and the Combined Group on any project.

Certain countries in which the Premier Group has, and the Combined Group will following completion of the Merger have, operations also have potential issues relating to transportation, telecommunications and financial services infrastructures that may present logistical challenges not usually present whilst doing business in more developed countries.

Countries in which the Premier Group operates, or in which the Combined Group may operate following completion of the Merger, and third parties such as partners, customers and suppliers with whom the Premier Group does business or with whom the Combined Group may do business following completion of the Merger, could become subject to trade, economic or other sanctions or similar measures affecting the ability of the Premier Group or the Combined Group to carry on business in relevant countries or with relevant third parties or otherwise disrupting the operations of the Premier Group or Combined Group.

It is difficult to predict the timing or severity of these occurrences or their potential effect. However, if such risks materialise they could have a material adverse effect on the employees, reputation, business, operating results, financial condition or prospects of the Premier Group and the Combined Group.

It is difficult to predict the timing or severity of these occurrences or their potential effect. If such risks materialise they could have a material adverse effect on the employees, reputation, business, operating results, financial condition or prospects of the Premier Group and the Combined Group.

To maintain the Premier Group's existing licences to operate and its ability to secure access to new reserves and resources, it is important that the Premier Group and, following completion of the Merger, the Combined Group maintain strong and positive relationships with the governments and communities in the countries where their business is conducted. For instance, the Premier Group has, and the Combined Group will have, a number of assets on the UKCS which are territorially within the United Kingdom. Accordingly, the Premier Group and the Combined Group must engage constructively with its regulators and the UK and Scottish governments, including for example, the OGA and the Department for Business, Energy and Industrial Strategy ("**DBEIS**"). Failure to maintain a good working relationship and comply with the requirements of these and other regulatory bodies could impede efforts to comply with the UK regulatory regime, which in turn could result in penalties, a negative reputational impact and/or other impediments to the Premier Group's and the Combined Group's UK operations. The Premier Group's values and policies govern how the Premier Group conducts its affairs. Failure, real or perceived, to follow these values and policies, or the materialisation of any of the risk factors described in this document, could harm the reputation of the Premier Group or the Combined Group, which could, in turn, impact the Premier Group's and the Combined Group's licence to operate, financing and access to new opportunities. This could have a material adverse effect on the business, operating results, financial condition or prospects of the Premier Group and the Combined Group.

7. The Premier Group's ability to operate depends and, following completion of the Merger, the combined Group's ability to operate will depend on satisfying licensing and other regulatory requirements

Activities undertaken in countries in which the Premier Group currently operates or may operate or, following completion of the Merger, the Combined Group will or may operate are subject to licences, regulations and approvals of governmental authorities. These include those relating to the exploration, development, operation, production, marketing, pricing, transportation and storage of oil and gas, taxation, environmental, and health and safety matters (including with regard to eventual decommissioning of production assets).

The Premier Group has, and the Combined Group will have, limited control over, among other things: (i) whether or not necessary approvals or licences are granted or renewed or extended; (ii) the timing of obtaining (or renewing) such licences or approvals; (iii) the terms on which they are granted; or (iv) the tax regime to which the Premier Group or the Combined Group or the relevant assets in which they have interests will be subject.

As a result, the Premier Group or the Combined Group may have limited control over the nature and timing of exploration and development of oil and gas fields in which they have or seek interests. There can also be no assurance that the Premier Group or the Combined Group will not in the future incur additional decommissioning charges since local or national governments may require decommissioning to be carried out in circumstances where there is no express obligation to do so, particularly in case of future licence renewals.

Other than Chrysaor's interests in Norway, all of the assets held by the Chrysaor Group are in the United Kingdom, which is a jurisdiction in which the Premier Group is also present and therefore the applicable regulatory requirements are well understood. However, by expanding its footprint in the UKCS, the Combined Group will become more exposed to potential changes in the existing regulations (for example, with respect to carbon emissions and the standards required for decommissioning). In the Norwegian Continental Shelf ("**NCS**"), all exploration and production licenses have incorporated detailed and mandatory work programs that are required to be fulfilled within a specific timespan. These may include seismic surveys to be performed, wells to be drilled and development decisions to be taken. Failure to comply with the obligations under the licenses may lead to fines, penalties, restrictions, revocation of licenses and termination of related agreements.

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

8. If the Premier Group, and following completion of the Merger, the Combined Group are unable to replace their proved plus probable reserves as they are produced, their reserves will decline

Future oil and gas production will depend on the Premier Group's and, following the completion of the Merger, the Combined Group's access to new reserves through exploration and appraisal; negotiations with governments; awards at licensing rounds; and acquisitions and farm-ins. Insufficient activity or success in these areas may limit the Premier Group's or the Combined Group's ability to replace reserves or to maintain or grow oil and gas production, which, in turn, could have an adverse effect on the business, operating results, financial condition and prospects of the Premier Group and the Combined Group.

The Premier Group and the Chrysaor Group hold exploration licences in a number of countries worldwide and within these there is an ongoing evaluation process whereby identified exploration and appraisal opportunities are progressed depending on the outcome of such evaluation process. In response to changes in market conditions during the first half of 2020, Premier has taken action to defer exploration activity across its portfolio to reduce expenditure. This includes the deferral of drilling activities in Mexico (Sureste Basin), Brazil (Ceará Basin), and Indonesia (Tuna and the Andaman Sea). Following completion of the Merger, the Combined Group may also seek to manage its exploration portfolio in order to spread the Combined Group's capital requirements and prioritise projects which are regarded as strategically more important or which offer the potential to deliver higher returns.

Exploration and appraisal activities are capital intensive and the results are inherently uncertain as there can be no assurance that future exploration expenditure will result in the discovery of commercially producible hydrocarbons. Such activities may involve unprofitable efforts, not only by drilling dry wells, but also by drilling wells that discover hydrocarbons but are of insufficient volume or in poor-quality reservoirs that cannot support commercial development. Appraisal and development activities may also be subject to delays in obtaining governmental approvals or consents, lender consents, agreeing development plans with joint venture partners, obtaining sufficient access to storage or transportation facilities or other constraints, which could materially adversely affect the Premier Group's and, following completion of the Merger, the Combined Group's replacement of reserves and long-term oil and gas production.

9. The Premier Group faces and the Combined Group will face inherent uncertainty as to the success of any development and drilling activities

The Premier Group, and following completion of the Merger, the Combined Group, are dependent on finding, acquiring, developing and producing oil and gas reserves that are economically recoverable, the success of which is subject to significant uncertainty. Oil and gas exploration and production activities are capital intensive and subject to financing limitations and inherent uncertainty in their outcome. Further, significant expenditure is required to establish the extent of the oil and gas reserves through seismic and other surveys and drilling. Therefore, there can be no certainty that further commercial quantities of oil and gas will be discovered or acquired by the Premier Group, and following completion of the Merger, the Combined Group. The Premier Group's, and following completion of the Merger, the Combined Group's, existing and future oil and gas appraisal and exploration projects may therefore involve unprofitable efforts, either from dry wells or from wells that are productive but do not produce sufficient net revenues to return a profit after development, operating and other costs.

Even if the Premier Group, and following completion of the Merger, the Combined Group, are able to discover or acquire commercial quantities of oil and gas in the future, there can be no assurance that these will be commercially developed. Few prospects that are explored are ultimately developed into producing oil and gas fields. Development activities may be subjected to unexpected problems and delays and incur significant costs, which can differ significantly from estimates, with no guarantee that such expenditure will result in the recovery of oil and gas in sufficient quantities to justify investments. The Premier Group, and following completion of the Merger, the Combined Group, may be required to curtail, delay or cancel any development operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, breaches of security, title problems, adverse weather conditions, compliance with governmental requirements or failure to comply with work commitments under license, labour disputes and shortages or delays in the availability of drilling rigs, ancillary support vessels and the delivery of equipment. Any such curtailment, delay or cancellation could delay production or prevent production from taking place, which reduces cash flows and can lead to impairment charges.

Appraisal and development activities involving the drilling of wells across a field may be unpredictable and may not result in the outcome planned, targeted or predicted, as only by extensive testing can the properties of an entire field be more fully understood. The Premier Group, and following completion of the Merger, the Combined Group, may also be required to curtail, delay or cancel any drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, breaches of security, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment or other factors which may result in drilling operations becoming uneconomic. For example, in December 2017 a crack was discovered in an onshore part of the Forties Pipeline System ("**FPS**") operated by INEOS FPS Limited, one of the hydrocarbon transportation systems used in the Chrysaor Group's operations. As a result, the system was shut down, leading to a corresponding reduction in daily production of over 70 kboepd for approximately three weeks. In addition, much of the success of the Premier Group is and of the Combined Group will be dependent on bringing new developments of oil fields to production on budget and on schedule.

Completion of the Premier Group's, and following completion of the Merger, the Combined Group's, development plans does not assure a profit on the investment or recovery of drilling, completion and operating costs and drilling hazards and environmental damage can further increase the cost of operations to be recovered. In addition, various field operating conditions may also adversely affect production from successful wells including delays in obtaining governmental approvals, permits, licenses, authorisations or consents, shut ins of connected wells, insufficient or uneconomic storage or transportation capacity or other unusual or unexpected geological, oceanographic and mechanical conditions.

10. The Premier Group's and the Combined Group's development projects require substantial capital expenditures. The Premier Group and the Combined Group may be unable to obtain needed capital or financing on satisfactory terms, which could lead to a decline in oil and gas reserves

The Premier Group makes, and the Board expects the Combined Group to continue after completion of the Merger to make, substantial capital expenditures for the development, production and acquisition of oil and natural gas reserves. The Combined Group intends to finance the majority of its future capital expenditures with cash flow from operations and, if necessary, borrowings under the New RBL Facility. Longer-term, additional sources of liquidity may also include debt and equity from its shareholders, funding in the capital markets and disposal proceeds from any portfolio management activity. The Premier Group's, and following completion of the Merger, the Combined Group's, cash flows from operations and access to capital are subject to a number of variables which they do not control, including:

- proved plus probable reserves (2P);
- the level of oil and natural gas the Premier Group and following completion of the Merger, the Combined Group, is able to produce from existing wells;

- the price at which oil and gas are sold; and
- the Premier Group's, and following completion of the Merger, the Combined Group's, ability to acquire, locate and produce new reserves.

If the Premier Group's, and following completion of the Merger, the Combined Group's, revenues or the borrowing base under the New RBL Facility decrease as a result of lower oil or gas prices, operating difficulties, declines in reserves, increased costs or for any other reason, the Premier Group, and following completion of the Merger, the Combined Group, may have limited ability to obtain the capital necessary to invest in development opportunities or sustain operations at current levels. The New RBL Facility restricts the Chrysaor Group's, and following completion of the Merger, the Combined Group's, ability to obtain certain new financing. If additional capital is needed, the Combined Group may not be able to obtain debt or equity financing. If cash generated by operations or cash available under the New RBL Facility is not sufficient to meet its capital requirements, the failure to obtain additional financing could result in a curtailment of its operations relating to development of prospects, which in turn could lead to a decline in its oil and natural gas reserves, or if it is not possible to cancel or stop a project, be legally obliged to carry out the project contrary to its desire or with negative economic impact. Further, the Premier Group, and following completion of the Merger, the Combined Group, may fail to make required cash calls and breach license obligations, which again could lead to adverse consequences. All of the above could adversely affect the Premier Group's, and following completion of the Merger, the Combined Group's, production, revenues and results of operations as well as having a material adverse effect on the Premier Group's or the Combined Group's ability to service its indebtedness.

11. The Premier Group faces and, following completion of the Merger, the Combined Group will face uncertainty as to the estimation of reserves, resources and production profiles and these may prove inaccurate

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

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

12. A proportion of the equipment and third-party infrastructure upon which the Premier Group's, and following completion of the Merger, the Combined Group's, operations rely is old, and requires maintenance and repair

All fields require ongoing maintenance to ensure continued operational integrity. The Board expects the Combined Group to incur significant planned expenditure on its assets used to service production from its operated fields. Despite significant planned operating and capital expenditure, there can be no guarantee that assets owned or used by the Premier Group, and following completion of the Merger, the Combined Group, will continue to operate without fault and not suffer material damage in this period through, for example, wear and tear, severe weather conditions, natural disasters or industrial accidents. If assets owned or used by the Premier Group, and following completion of the Merger, the Combined Group, do not operate at or above expected efficiencies, substantial expenditure investments beyond the amounts budgeted may be required. For example, the Chrysaor Group's products at Erskine and Lomond were shut-in from January 2018 to September 2018 and October 2018, respectively, due to a stuck pig in the Lomond to Everest condensate export pipeline. The cause of the incident was a wax build up in the pipeline. Under previous operators, the pipeline had not been regularly pigged since 2009, a recognized risk at the time of the acquisition of the pipeline. As a result of the pipeline blockage, Erskine and Lomond only produced 3.1 kboepd net during the year ended 31 December 2018

(2017: 6.8 kboepd). Any material damage to the Premier Group's or the Combined Group's equipment or significant capital expenditure on the Chrysaor Group's equipment for improvement or maintenance may have a material adverse effect on the Premier Group's, and following completion of the Merger, the Combined Group's, results of operations and financial condition and, as with planned operating and capital expenditure, there is no guarantee that the amounts expended will ensure continued operation without fault or address the effects of wear and tear, severe weather conditions, natural disasters or industrial accidents.

In addition, while the Premier Group, and following completion of the Merger, the Combined Group, may endeavour to repair, re-use, retrofit or refurbish producing assets where possible to maximize operational efficiency while avoiding significant expenses associated with purchasing new equipment, it cannot be guaranteed that such repair, re-use, retrofitting or refurbishment will be commercially feasible to undertake in the future and cannot assure that there will be no unexpected costs during the re-use, retrofitting or refurbishment process.

Further, a substantial portion of the production of the Premier Group is, and following completion of the Merger, that of the Combined Group will be, reliant on some third-party owned and controlled infrastructure which has been in operation for a number of years. For example, the Chrysaor Group relies, and following completion of the Merger, the Combined Group will rely, on the FPS for the offtake of oil and condensate produced at the Armada Area, Elgin-Franklin Area, Everest Area, Britannia Area and Buzzard fields. In October 2017, the FPS and the Kinneil Terminal were acquired by INEOS. As the FPS has been extensively used, it requires frequent maintenance and repair to maintain efficiency. The pipeline systems may also need to be shut down to stop oil and gas leaks, as was the case in December 2017 when the FPS was shut down for three weeks to repair a crack.

If the owners or operators of these pipelines, as well as of other, old third-party infrastructure upon which the Premier Group relies, and following completion of the Merger, the Combined Group operations will rely, fail to adequately maintain their integrity or fail to invest into such infrastructure to ensure that uptime levels are maintained, the Premier Group, and following completion of the Merger, the Combined Group, may not be able to efficiently deliver oil to onshore terminals for sale. Furthermore, use of third-party infrastructure exposes the Premier Group, and following completion of the Merger, the Combined Group, to the possibility that such infrastructure will cease to provide services or be decommissioned and therefore prevent economic production, which in turn could also have a material adverse effect on the Premier Group's, and following completion of the Merger, the Combined Group's, business. A reduction or potential stoppage in oil deliveries of oil or operational efficiency could have a material adverse effect on the Premier Group's, and following completion of the Merger, the Combined Group's, results of operations and financial condition.

13. The majority of the Combined Group's production will be sold to Shell under long-term offtake agreements. Any changes to, disagreements in respect of or termination of these offtake agreements may have a material adverse effect on the Combined Group's business, results of operations, financial condition and/or prospects

The Chrysaor Group is currently party to eight offtake arrangements with Shell International Trading and Shipping Company Limited ("**STASCO**"), a subsidiary of Shell (the "**STASCO Offtake Arrangements**"), pursuant to which the Chrysaor Group has agreed to sell and STASCO has agreed to buy the Chrysaor Group's production across various fields and products which in aggregate equated to approximately 94 per cent. of the Chrysaor Group's production across all fields and products for the year ended 31 December 2019 (including all the crude oil produced by the Chrysaor Group), and which in aggregate represented approximately 95 per cent. of the Chrysaor Group's revenues for the year ended 31 December 2019. In addition to being obliged to purchase the majority of Chrysaor's current production, under the STASCO Offtake Arrangements, STASCO will automatically be required to purchase the additional production (i.e. new to Chrysaor) from any field in respect of which an equity interest was originally acquired by Chrysaor from Shell under the Shell Acquisition where Chrysaor acquires an additional equity interest in such field. In addition, STASCO has a right to match the terms offered by third parties to Chrysaor for production from any field in respect of which Chrysaor acquires a new or additional equity interest where Chrysaor did not acquire an equity interest in such field under the Shell Acquisition (provided such production is not already contracted to another party). As such, on completion of the Merger, under the STASCO Offtake Arrangements, STASCO will automatically be required to purchase some of Premier's production (in particular the production of the Elgin Franklin field), which would have equated to approximately 8 per cent. of Premier's production for the year ended 31 December 2019 and will have a right to match the terms offered by third party offtakers for the production of Premier's other fields for certain products, which would have equated to approximately 64 per cent. of Premier's production for the year ended 31 December 2019.

Accordingly, on a Combined Group basis, under the STASCO Offtake Arrangements STASCO would be required to purchase approximately 63 per cent. of the Combined Group's production, which would have represented approximately 58 per cent. of the Combined Group's revenues on a combined basis for the year ended 31 December 2019. In addition, STASCO would have been entitled to purchase (if it had exercised all of its rights to match) approximately 86 per cent. of the Combined Group's production, which would have represented approximately 91 per cent. of the Combined Group revenues on a combined basis for the year ended 31 December 2019.

As the STASCO Offtake Arrangements will remain in force following completion of the Merger, the Combined Group will be reliant on STASCO for most of its revenue and hence subject to the increased risk of delayed payment for delivered production volumes, counterparty default or suspension or termination of the sales agreement by STASCO. An absence of competitors for the purchase of oil and gas produced by the Combined Group on comparable terms to those agreed with existing offtakers may expose the Combined Group to adverse pricing or other less favourable contractual terms. Such delays, defaults, difficulties or adverse pricing or other less favourable contractual terms could adversely affect the Combined Group's business, operating results, financial condition or prospects. Chrysaor is able to terminate the STASCO Offtake Arrangements on repayment of the Chrysaor Junior Debt Facility (but no earlier than 31 October 2024). STASCO is able to terminate the STASCO Offtake Arrangements from 31 October 2022 and in certain other limited and customary circumstances, including in the event that Chrysaor fails to deliver STASCO's entitlement to Chrysaor's production which is available for delivery in accordance with the arrangements or Chrysaor through wilful default is in material breach of its obligations under the arrangements (and fails to remedy such breach within an agreed period). The STASCO Offtake Arrangements also include mutual termination rights in the event of various insolvency and financial distress related events in respect of either party or in the event that either party has failed to pay undisputed amounts due (subject to notice periods).

If the offtake arrangements were terminated by action of either party, the Combined Group would need to negotiate and enter into new contract(s) with alternative purchaser(s) for the sale of substantially all of its production in the North Sea and the Combined Group may need to adopt alternative marketing strategies in order to achieve this. During any such negotiations, which may take a significant amount of time to conclude, the Combined Group may not be able to sell some or all of such production, which would have an adverse effect on the Combined Group's business, results of operations, financial condition and/or prospects.

While the Board believes that the Combined Group would be able to secure alternative purchasers for the oil and gas currently produced by the Combined Group if needed, there can be no assurance that the Combined Group would be able to negotiate and enter into agreements with purchasers for the sale of oil and gas on equivalent terms to those with STASCO, or at all. Any such delays, defaults, reduction in oil volumes purchased or adverse pricing or other contractual terms could adversely affect the Combined Group's business, results of operations, financial condition and/or prospects.

14. The timing and costs of decommissioning is uncertain

The Premier Group has, and following completion of the Merger the Combined Group will have, obligations in respect of the decommissioning of some of the fields in which they have or in the past have had licence interests and related infrastructure. The oil and gas industry currently has little experience of decommissioning petroleum infrastructure on the UKCS and it is difficult to forecast accurately the costs that the Premier Group and the Combined Group will incur in satisfying its decommissioning obligations. The Premier Group and the Combined Group are expected to assume additional decommissioning obligations in relation to future operations. These obligations derive from legislation and regulatory requirements concerning the decommissioning of wells and production facilities.

In addition, should Scotland become independent from the United Kingdom, the decommissioning regulatory regime of a future independent Scotland may be subject to change so that it is different from that in place in the United Kingdom. The Board cannot assure investors that any changes to the decommissioning regime in Scotland would not result in additional decommissioning costs. For further detail, see the Risk Factor above entitled *"Political, security, economic, legal, regulatory and social uncertainties and changes to the Premier Group's and/or, following completion of the Merger, the Combined Group's relationship with governments, regulators and communities where they operate may affect business in key territories"*.

The Premier Group contains, and the Combined Group will contain, several fields in the UKCS which are in mid- to late production stages of their lifecycles. It is possible that several assets might have to cease production and move into decommissioning at the same time and, therefore, careful planning will be required to ensure sufficient funding is available to fund several decommissioning projects simultaneously.

The Premier Group's accounts make, and the Combined Group's accounts will make, provision for decommissioning costs, but there can be no assurance that the cost of decommissioning will not exceed the value of such provision. When decommissioning liabilities for a field crystallise, the Premier Group and following completion of the Merger, the Combined Group will be jointly and severally liable for them with other former or current partners in the field. If other partners default on their obligations, the Premier Group's or the Combined Group's liabilities could be increased significantly.

Any significant increase in the actual or estimated decommissioning costs that the Premier Group and the Combined Group incur, or an acceleration of the time at which these costs become payable, may materially adversely affect their business, operating results, financial condition or prospects. In addition, the likelihood of these risks materialising is greater given the changes in market conditions during the first half of 2020.

This risk may also materialise from the Premier Group's other assets in the UK North Sea that are being decommissioned, or from the Premier Group's assets in Asia if the payments it has made into escrow do not cover the committed decommissioning costs.

15. There may be a lack of sufficient letter of credit facilities, bank guarantees or other similar security to enable the Premier Group and, following completion of the Merger, the Combined Group, to meet their decommissioning security arrangements

The various decommissioning security arrangements to which the Premier Group is, and the Combined Group will be, party typically permit the Premier Group to make provision for decommissioning security in the form of letters of credit, bank guarantees or similar and in some cases cash collateral. Under the various decommissioning security arrangements, the letters of credit, bank guarantees or similar security are required to be provided by banks which meet certain credit rating thresholds and other criteria. Market-related and other developments affecting the credit ratings of banks over the last few years have reduced the number of banks which meet these applicable credit rating requirements. Further developments of this sort may mean that banks which have issued letters of credit to satisfy the Premier Group's and the Chrysaor Group's decommissioning security obligations in the past will cease to meet the applicable credit rating requirements and that those banks that continue to meet these requirements will not be willing to continue to issue letters of credit or bank guarantees for amounts greater than their existing commitments or to take on the letter of credit and/or bank guarantee commitments of banks who no longer meet these requirements or will only be willing to do so on more onerous terms for the Premier Group and the Combined Group.

If these developments continue or worsen, or if the Premier Group or the Combined Group does not have sufficient letter of credit facilities available to enable them to meet these decommissioning obligations, it may not be possible or it may be more difficult and/or costly for the Premier Group or the Combined Group to obtain or maintain letters of credit or bank guarantees which meet the requirements under these decommissioning security arrangements or to obtain new letters of credit or bank guarantees to replace letters of credit or bank guarantees from banks which have ceased to meet the requirements of the decommissioning security arrangements and, in these circumstances, the Premier Group and the Combined Group may be required to make provision for some or all of their decommissioning liabilities using cash. If such risks materialise, they could have a material adverse effect on the Premier Group's and the Combined Group's business, operating results or financial condition.

Members of the Premier Group are party to, and the Combined Group will be party to, various decommissioning security arrangements relating to certain oil and gas fields in the United Kingdom which require them to, among other things, make provision for their share of the anticipated future decommissioning costs relating to these fields. To date, the highest amounts of decommissioning security for the Premier Group have been posted in respect of the Balmoral, Brenda, Huntington, Glamis, Johnston, Caledonia, Kyle, Stirling and Ravenspurn North fields and for the Chrysaor Group have been posted in respect of the Thistle, J-Area, Beryl, Brodgar and Britannia fields. In respect of a number of other fields, the Chrysaor Group has also entered into bilateral security arrangements with Shell and ConocoPhillips. The requirement to post security is dependent on the forecast cash flows from a field. Factors impacting such forecasts, such as production and commodity prices, can impact the timing and quantum of such requirements.

16. The actions of joint ventures, partners and contractual counterparties, may be outside of the Premier Group's and, following completion of the Merger, the Combined Group's control

Oil and gas operations globally are typically conducted in joint ventures. Some of the Premier Group's major assets are operated, and some of the Combined Group's major assets will be operated, by a partner in the relevant joint venture.

For example, Apache acts as operator of the Beryl Area fields, CNOOC is operator of the Buzzard field, Total is operator of the Elgin-Franklin Area fields, BP is operator of the Clair and Schiehallion fields, Ithaca is operator of the Alder field, Chevron is the operator of the Erskine field, Shell is operator of the Galleon field, and the Chrysaor Group's interests in the East Irish Sea Area fields Dalton, Millom and Calder are managed under contract by Spirit Energy and utilise Spirit Energy's wholly owned assets in the area, including the North Morecambe Terminal. In respect of the J-Area fields and Britannia fields (except for the Alder field), while the Chrysaor Group is, and following completion of the Merger, the Combined Group will be, the operator of these fields, approval from partners in each field is required for any improvement or enhancement projects planned for the area. Similarly, in respect of, among others, the Balmoral, Catcher and Johnston fields, while the Premier Group is, and following completion of the Merger, the Combined Group will be, the operator of these fields, approval from partners in the field is required for any improvement or enhancement projects planned for the area.

The ability of the Premier Group, and following completion of the Merger, the Combined Group, to influence their partners will sometimes be limited due to their percentage ownership in non-operated development and production operations. Non-alignment on various strategic decisions in joint ventures may result in operational or production inefficiencies or delay and the potential for increasing operating costs, which erode value. Further, while the terms of the Premier Group's, and following completion of the Merger, the Combined Group's, operating agreement generally impose standards and requirements in relation to the operatorship of the oil field, there can be no assurance that the operator will observe such standards or requirements.

Operators of fields may use different host services for transporting and processing production. There is a risk that existing tariff arrangements could be replaced with more expensive arrangements as production levels in the host systems decrease or as a result of a change of operator, thereby increasing the likelihood of earlier cessation of production and impacting the value of the Premier Group's and the Combined Group's assets. Default by a partner may also result in the Premier Group or, following completion of the Merger, the Combined Group bearing a disproportionate share of the funding, risk or liabilities associated with the relevant asset(s).

The Premier Group has entered into or is subject to agreements with a number of contractual counterparties in relation to the sale and supply of hydrocarbon production volumes. Therefore, members of the Premier Group are subject to, and following completion of the Merger, members of the Combined Group may be subject to, the risk of delayed payment for delivered production volumes or counterparty default. Such delays or defaults could have a material adverse effect on the business, operating results, financial condition or prospects of the Premier Group and the Combined Group.

17. The Premier Group's and, following completion of the Merger, the Combined Group's insurance and indemnities may not adequately cover all risks and expenses

The Premier Group and, following completion of the Merger, the Combined Group may be subject to substantial liability claims due to the inherently hazardous nature of their business or for acts and omissions of supply chain contractors or subcontractors, operators or joint venture partners. Any indemnities that the Premier Group or the Combined Group may receive from such parties may be difficult to enforce if they lack adequate resources. Some potential risks (such as terrorism risks in some jurisdictions) are not readily insurable or insurance against such risks is not available at an acceptable price. There can be no assurance that the proceeds of insurance applicable to covered risks will be adequate to cover expenses relating to losses or liabilities or in certain circumstances such proceeds will be available to the Premier Group or the Combined Group rather than their respective creditors. Accordingly, the Premier Group and the Combined Group may suffer material losses from uninsurable or uninsured risks or insufficient insurance coverage.

18. The Premier Group and the Combined Group may be subject to currency fluctuations and exchange controls

The Premier Group operates, and following completion of the Merger the Combined Group will operate, in a number of different countries and territories throughout the world. The Premier Group and the Combined Group is therefore subject to risks from changes in currency values and exchange controls. Changes in currency values and exchange controls could have a material adverse effect on the Premier Group's and the Combined Group's business, operating results, financial condition or prospects. The Premier Group hedges its exchange rate risk as described in the following risk factor.

The functional currency of the Premier Group is, and that of the Combined Group will be US dollars. The Premier Group and the Chrysaor Group both mainly receive revenues in US dollars and convert funds to foreign currencies to meet payment obligations which are contracted in currencies other than US dollars, such as labour and employee costs in pounds sterling. Exchange rates between the pound sterling and the US dollar have fluctuated significantly in the past and may do so in the future. Consequently, construction, exploration, development, operating, administration and other costs may be higher in US dollars than anticipated.

19. Hedging activities may inadequately protect the Premier Group and, following the completion of the Merger, the Combined Group from hydrocarbon price, exchange rate and interest rate volatility

The Premier Group seeks to mitigate and, following the completion of the Merger, the Combined Group will seek to mitigate the impact of volatility in hydrocarbon prices and currency exchange rates by maintaining oil and gas price and foreign exchange hedging to underpin its financial strength and protect its capacity to fund future developments and operations. Oil and gas hedging can be undertaken with swaps, collar options, reverse collars and hedges embedded in long-term crude offtake agreements. Oil is hedged using Dated Brent oil price options and UK gas using UK NBP gas options. Indonesian gas is hedged by the Premier Group using HSFO Singapore fuel oil 180cst futures. The Premier Group seeks to mitigate the impact of exchange rate volatility by selling US dollars and purchasing GBP forward up to six months based on forecast expenditure.

The Premier Group seeks to mitigate, and the Combined Group will seek to mitigate, exposure to interest rate volatility through the interest rate swap market by converting a portion of their floating rate debt to fixed rate. The Combined Group's hedging programme will be primarily driven by minimum hedging requirements under the New RBL Facility. However, no assurance can be given that the Premier Group's or the Combined Group's hedging policies will sufficiently protect against volatility in commodity prices, exchange rates or interest rates or that the Premier Group or the Combined Group will be able to put hedging in place with counterparties on acceptable terms in order to successfully implement their hedging policies.

Furthermore, hedging policies could adversely affect the Premier Group and the Combined Group due to a range of reasons including mismatch between the hedging instrument and risk for which protection is sought, mismatch between the nominal amount or duration of the hedging instrument and the related liability, default on obligation by the hedge counterparty, adjustment of the value of the derivatives, and the high level of transaction costs and subsequent exposure to financial risk. If the Premier Group or the Combined Group are unable to hedge their hydrocarbon price or foreign exchange risks effectively or experience a loss as a result of their hedging activities, this could have a material adverse effect on the business, operating results, financial condition or prospects of the Premier Group and the Combined Group.

20. *The Premier Group has considerable UK tax losses, the benefit of which could be lost*

The Premier Group had approximately US$4.1 billion of unutilised UK tax losses as at 31 December 2019. There are tax rules which prevent the use of such losses where, over the course of any period of five years starting up to three years before a change in ownership of a company, there is a major change in the nature or conduct of a trade carried on by the company. The allotment and issue of the Consideration Shares and the Creditor Shares may result in a change in ownership with respect to the Company and its subsidiaries. Whether there has been a major change in the nature or conduct of a trade depends on all of the specific facts and circumstances of the individual case in question, and may occur if there is a significant change in the property dealt in, the services or facilities provided by, or in customers or markets supplied by, the relevant company. The Premier Group focuses on upstream oil and gas activities and this will continue to be the case for the Premier Group and the Combined Group following completion of the Merger. HMRC has published guidance indicating that it would generally be unusual for it to take the view that there has been a major change in the nature or conduct of a trade in the context of this industry (that is, in the context of ring-fence trades).

The Premier Group currently does not pay UK corporation tax or supplementary charge on profits arising from its ring-fence activities due to the ability to set these tax losses against taxable profits. If there were a major change in the nature or conduct of the trade carried on by the relevant company, these losses could be extinguished in full and as a result it could start having to pay tax on its ring-fence profits and this could have a materially adverse effect on the business, financial condition and results of operations of the Premier Group and, following the completion of the Merger, the Combined Group.

21. *The Premier Group, and following completion of the Merger, the Combined Group, may be adversely affected by changes to tax legislation or its interpretation or increases in effective tax rates in the jurisdictions in which they do business*

The Premier Group does, and following completion of the Merger, the Combined Group will do, business in more than one jurisdiction and their profits are taxed according to the tax laws of such jurisdictions. Jurisdiction by jurisdiction fluctuations in tax rates can have an impact on projects and make certain projects less economically viable. The Premier Group's, and following completion of the Merger, the Combined Group's, tax rate, including their effective tax rate and the rate of value added tax ("**VAT**"), may be affected by changes in tax laws or interpretations of tax laws in any jurisdiction and in any financial year will reflect a variety of factors that may not be present in succeeding financial years. As a result, the Premier Group's, and following completion of the Merger, the Combined Group's, tax rate may increase in future periods, which could have a material adverse effect on the Premier Group's, and following completion of the Merger, the Combined Group's, financial results and, specifically, their net income, cash flow and earnings may decrease. See also the risk factor immediately above regarding the Premier Group's UK tax losses.

Tax regimes in certain jurisdictions can be subject to differing interpretations and tax rules in any jurisdiction are subject to legislative change and changes in administrative and regulatory interpretation. The interpretation by the Premier Group's, and following completion of the Merger, the Combined Group's, relevant subsidiaries of applicable tax law as applied to their transactions and activities may not coincide with that of the relevant tax authorities. As a result, transactions may be challenged by tax authorities and any of the Premier Group's, and following completion of the Merger, the Combined Group's, profits from activities in those jurisdictions may be subject to additional tax or additional unexpected transactional taxes (e.g. stamp duty, VAT or capital gains tax) may arise, which, in each case, could result in significant legal proceedings and additional taxes, penalties and interest, any of which could have a material adverse impact on the Premier Group's, and following completion of the Merger, the Combined Group's, business, prospects, financial condition or results of operations.

In addition, should Scotland become independent from the United Kingdom, tax law and regulations may change so that the tax regime in Scotland diverges further from the tax regime in the remaining parts of the United Kingdom. The Board cannot assure investors that any changes to the tax regime in Scotland would not result in additional tax costs. Furthermore, changes to current tax law and regulations could occur following the UK's withdrawal from the European Union.

22. *The Premier Group relies, and following the completion of the Merger, the Combined Group will rely, heavily on IT systems for their operations*

The Premier Group is, and following the completion of the Merger, the Combined Group will be, dependent on the secure and continued effective operation of their IT systems (including back-up measures) and their use of data. Such systems, including those provided by third party service providers, may fail and/or sensitive data held by them may be lost.

Information and communication systems by their nature are susceptible to internal and external security breaches, including computer hacker and cyber-terrorist breaches, wilful breaches by employees and employees succumbing to criminal scamming from external sources, and can fail or become unavailable for a significant period of time. The operations of the Premier Group, and following the completion of the Merger the Combined Group, will be dependent on the use of internal data and customer data. The Premier Group has incurred, and following the completion of the Merger, the Combined Group will incur, expenses to comply with mandatory privacy and security standards and protocols imposed by law, regulation, industry standards or contractual obligations relating to the collection, use and security of personal information data. Failure to comply with such data privacy laws and regulations may result in fines, penalties, claims and reputational damage. Additionally, if data security controls fail, there is a risk that protected, sensitive or personal data, including important intellectual property, may be unintentionally disclosed which could lead to the violation of confidentiality agreements, reputational harm and the loss of critical data, and which in turn could lead to fines and/or claims. Any of the foregoing could have a material adverse effect on the business, financial condition and results of operations of the Premier Group and, following the completion of the Merger, the Combined Group.

23. *There will be risks inherent in the Combined Group's acquisitions of oil and gas assets*

The Premier Group increases and, following the completion of the Merger, it is anticipated that the Combined Group will increase oil and gas reserves through strategic business acquisitions and farm-ins. The Chrysaor Group has undertaken a number of acquisitions of oil and gas assets (and of companies holding such assets) in recent years, including the acquisition of UKCS assets previously held by Shell and ConocoPhillips.

The Combined Group may be required to assume pre-closing liabilities with respect to an acquisition, including known and unknown environmental and decommissioning liabilities, and may acquire interests in properties on an "as is" basis without recourse to the seller of such interest.

There can be no assurance that integration of the operations and personnel of the acquired business following any potential acquisition will be successful. There may be problems with minority shareholders in acquired companies or with other field participants or co-venturers. It may also be difficult to secure the services of suitably qualified personnel to manage the acquired businesses or interests. Acquisitions may also cause potential disruption to the Premier Group's or the Combined Group's own business. .Furthermore, the value of any business that the Premier Group or the Combined Group acquires or invests in or farm-in that it makes may be less than the amount it pays.

Although the Premier Group conducts, and the Combined Group will conduct, due diligence on all material potential target acquisitions, even an in-depth review of all properties and records may not reveal existing or potential problems, nor will it always permit a buyer to become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. Physical inspections may not be performed on every well, and structural or environmental problems are not necessarily observable even when an inspection is undertaken. Following the integration process, the Premier Group or the Combined Group may become aware of additional information relating to the acquired asset such as unknown or contingent liabilities and issues relating to non-compliance with applicable laws. Any such liabilities, individually or in the aggregate, could have a material adverse effect on the Premier Group's or the Combined Group's business, operating results, financial condition or prospects.

In addition, successful acquisitions of oil and gas assets require an assessment of a number of factors, including estimates of recoverable reserves, the time of recovering reserves, exploration potential, future oil, natural gas liquids and natural gas prices and operating costs. Such assessments are inexact and cannot be made with a high degree of accuracy. In connection with these assessments, the Combined Group will perform a review of the acquired assets. However, such a review will not reveal all existing or potential problems. In addition, any such review may not allow sufficient familiarity with the assets to fully assess their deficiencies and capabilities.

There can be no assurance that acquisitions will perform in accordance with expectations or that expectations with respect to integration or cost savings as a result of such acquisition will materialise. A failure to accurately assess a target's business, assets and liabilities and unanticipated events relating to such businesses could have a material adverse effect on the Combined Group's results of operations, financial condition and cash flow. Such failures to achieve acquisition target performance goals could in turn have material adverse effects on the Combined Group's revenue, results of operations, financial condition and cash flow.

24. The Premier Group and the Combined Group may be subject to work stoppages or other labour disturbances

Work stoppages or other labour disturbances, such as industrial action, with the Premier Group's, and following completion of the Merger, the Combined Group's, employees or those of their contractors, suppliers and customers may occur in the future. If this occurred, the Premier Group, and following completion of the Merger, the Combined Group, or their contractors may not be able to negotiate acceptable collective bargaining agreements or future restructuring agreements or may become subject to material cost increases or additional work rules imposed by such agreements. The occurrence of any of the foregoing could materially and adversely affect the Premier Group's, and following completion of the Merger, the Combined Group's, business, prospects, financial condition and results of operations.

25. The Premier Group depends, and the Combined Group will depend, on their board of directors, key members of management, independent experts, technical and operational service providers and on their ability to retain and hire such persons to effectively manage a growing business.

The Premier Group's, and following completion of the Merger, the Combined Group's, future operating results depend in significant part upon the continued contribution of the board of directors, key senior management and technical, financial and operations personnel. Management of the Combined Group's growth will require, among other things, stringent control of financial systems, compliance environment and operations, the continued development of management control, the ability to attract and retain sufficient numbers of qualified management and other personnel, the continued training of such personnel and the presence of adequate supervision.

The Premier Group's, and following completion of the Merger, the Combined Group's, success is dependent on the ability of the board of directors and management to operate their growing business and to manage the ongoing changes from potential future acquisitions. Failure to manage the Combined Group's growth and development effectively, could materially and adversely affect the Combined Group's, business, prospects, financial condition and results of operations.

In addition, the personal connections and relationships of the Directors and key management are important to the conduct of the Premier Group's, and following completion of the Merger, the Combined Group's, business. If the Premier Group, or following completion of the Merger, the Combined Group, were to unexpectedly lose a key management member or fail to maintain one of the key management team's strategic relationships, the Premier Group's, and following completion of the Merger, the Combined Group's, business and results of operations could be materially adversely affected.

The Premier Group uses, and following completion of the Merger, the Combined Group will use, independent contractors to provide them with certain technical, financial, commercial and legal assistance and services. In certain cases, the Premier Group, and following completion of the Merger, the Combined Group, may exercise limited control over the activities and business practices of these providers and any inability on the Premier Group's, and following completion of the Merger, the Combined Group's, part to maintain satisfactory commercial relationships with them or their failure to provide quality services could materially adversely affect the Premier Group's, and following completion of the Merger, the Combined Group's, business, prospects, results of operations and financial condition.

Attracting and retaining additional skilled personnel will be fundamental to the continued growth of the Combined Group's business after completion of the Merger. The Premier Group requires, and following completion of the Merger, the Combined Group will require, skilled personnel in the areas of exploration and development, operations, engineering, business development, oil marketing, finance and accounting relating to their projects. Personnel costs, including salaries, are increasing as industry wide demand for suitably qualified personnel increases. There is a scarcity of qualified personnel in the more technical areas in which the Premier Group operates, and following completion of the Merger, the Combined Group's, will operate. Due to, amongst other things, uncertainty arising from the announcement of the Merger, the Premier Group, and following completion of the Merger, the Combined Group, may not successfully attract new personnel and retain existing personnel required to continue to expand the business and to successfully execute and implement their business strategy.

PART III – TERMS AND CONDITIONS OF THE MERGER

1. Merger Agreement

1.1 Parties and structure

The Merger Agreement was entered into on 2 November 2020 between Premier, Chrysaor, Harbour Chrysaor Equity Holdings, Ltd., Harbour North Sea, EIG Swift Co-Investment, L.P. and EIG Swift Co-Investment GP, Ltd. (such parties other than Premier being for these purposes the "**Harbour/ Chrysaor Parties**"), for the sale of the entire issued share capital of Chrysaor to Premier in exchange for the allotment and issue of the Consideration Shares to Chrysaor's shareholders at the time of completion.

1.2 Consideration

The consideration payable by Premier to Chrysaor's shareholders at the time of completion is the allotment and issue of the Consideration Shares.

1.3 Conditions

Completion of the Merger is subject to, and can only occur upon the satisfaction or waiver of, the following conditions by no later than 30 September 2021 (unless agreed otherwise by the parties to the Merger Agreement):

(A) the Prospectus and the Circular having been approved by the FCA and, in the case of the Circular, the Takeover Panel, in each case in a form approved by the Harbour/Chrysaor Parties;

(B) the Merger, Whitewash and Debt Restructuring Resolutions having been approved by Shareholders at the General Meeting;

(C) the FCA having confirmed to Premier that its application for the readmission of all of the Existing Ordinary Shares and admission of all of the New Ordinary Shares, in each case to the premium listing segment of the Official List of the FCA has been approved;

(D) the London Stock Exchange having confirmed to Premier that its application for the re-admission of all of the Existing Ordinary Shares and admission of all of the New Ordinary Shares, in each case to trading on the main market for listed securities of the London Stock Exchange have been approved;

(E) the Takeover Panel having waived, subject to the passing by the requisite majority at the General Meeting of the terms of such waiver, any obligation which might fall on a seller under the Merger Agreement or any person acting in concert (as defined in the Takeover Code) with it under Rule 9 of the Takeover Code to make a general offer for the Purchaser as a result of the issue of the Consideration Shares;

(F) the Restructuring Plans having been sanctioned by the relevant Courts with or without modification (but subject to any such modification being acceptable to the Harbour/Chrysaor Parties, acting reasonably) and an office copy of the relevant court orders having been delivered to the Registrar of Companies;

(G) receipt of regulatory approvals from the OGA in the UK, the Norwegian Ministry of Petroleum and Energy and (if applicable) the Norwegian Ministry of Finance and the Falkland Islands Government;

(H) receipt by Premier of the appropriate competition authority clearances from each of the European Commission, the Mexican Federal Economic Competition Commission and the competition authorities in Vietnam; and.

(I) Premier not having committed a material breach of certain of its respective interim covenants and warranties under the Merger Agreement.

As at the date of this document, conditions (B), (C), (D), (F), (G) and (H) remain outstanding, although the Company has received the required competition clearance from the European Commission and has received conditional approval from the Norwegian Ministry of Petroleum and Energy for the Merger. In order to satisfy each of these outstanding conditions, Premier intends to:

(A) pass the Merger, Whitewash and Debt Restructuring Resolutions at a General Meeting to be held on 12 January 2021;

(B) obtain approval for the Restructuring Plans from Restructuring Plan Creditors at the Restructuring Plan Creditor Meetings to be held on 22 February 2021 as part of the Restructuring Plans process and present the Restructuring Plans for sanction by the relevant Courts;

(C) make the applications to the FCA and the London Stock Exchange required for Admission and Readmission;

(D) liaise with the OGA, Norwegian Ministry of Petroleum and Energy and Department of Mineral Resources of the Falkland Islands, as well as any other relevant regulatory bodies in those jurisdictions (as applicable) to provide any additional information they may require in order to provide the necessary approvals in respect of the Merger and the Debt Restructuring; and

(E) liaise with the Mexican Federal Economic Competition Commission and the relevant competition authorities in Vietnam, as well as any other relevant regulatory bodies in those jurisdictions (as applicable) to provide any additional information they may require in order to provide the necessary approvals in respect of the Merger and the Debt Restructuring.

1.4 Warranties given by Premier

Premier has given warranties to the Harbour/Chrysaor Parties and sellers under the Merger Agreement which are customary for a transaction of this nature. These include, among other things, warranties in respect of: (i) Premier's capacity and authority to enter into and perform the Merger Agreement; (ii) Premier's share capital structure; (iii) the identity of Premier's subsidiary undertakings; (iv) Premier's accounts and interim financial statements; (v) events since 31 December 2019; (vi) compliance with disclosure obligations; and (vii) compliance with anti-bribery and sanction laws. Certain of these warranties will be repeated at completion.

The Merger Agreement contains certain limitations and exclusions on the ability of the Harbour/Chrysaor Parties and sellers under the Merger Agreement to claim against Premier for breach of warranty or breach of interim covenants under the Merger Agreement. Premier's liability for breach of warranty will cease on completion of the Merger, except in respect of certain fundamental warranties. Prior to completion, the Harbour/Chrysaor Parties may terminate the Merger Agreement if breaches of warranties given by Premier give rise, or are reasonably likely to give rise, to one or more claims for breach of any such warranties for US$1,000 million or more in aggregate. In addition, the Harbour/Chrysaor Parties may terminate the Merger Agreement if breaches of interim covenants given by Premier take place which, individually or together with any other such breach, result or are reasonably likely to result in a diminution of the net assets of the Combined Group by US$1,000 million or more in aggregate.

1.5 Warranties given and to be given by Harbour/Chrysaor Parties and Chrysaor shareholders

The Harbour/Chrysaor Parties have given, and the Chrysaor shareholders at completion will give, warranties to Premier which are customary for a transaction of this nature. These include, among other things, warranties in respect of: (i) power and authority to enter into and perform the Merger Agreement; (ii) ownership of the relevant shares of Chrysaor which are the subject of the Merger Agreement; and (iii) compliance with anti-bribery and sanction laws.

The Merger Agreement contains certain limitations and exclusions on the ability of Premier to claim against the Harbour/Chrysaor Parties and sellers under the Merger Agreement for breach of warranty or breach of interim covenants under the Merger Agreement. The liability of the Harbour/Chrysaor Parties and sellers under the Merger Agreement for breach of warranty will cease on completion of the Merger, except in respect of certain fundamental warranties. Prior to completion, Premier may terminate the Merger Agreement if breaches of warranties given by Harbour/Chrysaor Parties or Chrysaor management give rise, or are reasonably likely to give rise, to one or more claims for breach of any such warranties for US$1,000 million or more in aggregate. In addition, Premier may terminate the Merger Agreement if breaches of interim covenant given by Chrysaor take place which, individually or together with any other such breach, result or are reasonably likely to result in a diminution of the net assets of the Combined Group by US$1,000 million or more in aggregate.

1.6 Leakage undertakings

Premier and Chrysaor have agreed to give customary "no leakage" undertakings in respect of the period since 30 June 2020. In Premier's case, the undertakings relate to payments to Premier's shareholders and creditors that are not in the ordinary course of business or included within an agreed list of permitted items. In Chrysaor's case, the undertakings relate to payments to Chrysaor's direct and indirect shareholders that are not in the ordinary course of business or included within an agreed list of permitted items.

1.7 Termination and break fees

Premier may terminate in certain circumstances, including where the New RBL Facility ceases to be available to be drawn down on completion or where Premier is unable to make the working capital statement required in the prospectus and circular that are being prepared in connection with the Merger.

The Harbour/Chrysaor Parties may terminate the Merger Agreement in certain circumstances, including where the Premier Board changes or withdraws its recommendation or if Shareholders do not vote in favour of the Merger, Whitewash and Debt Restructuring Resolutions.

In addition, the parties have customary termination rights for material breaches of warranties and interim covenants and in circumstances where: (i) a third party offer is made under the Takeover Code and is recommended by the Premier Board; (ii) the Combined Group is found not to be eligible for re-admission to the premium segment of the Official List under the Listing Rules or the prospectus or circular is not approved by the FCA for reasons relating primarily to the Harbour/Chrysaor Parties, including due to a projected shortfall in the Combined Group's working capital position after completion; (iii) Harbour does not commit to making a Rule 9 offer for Premier shares under the Takeover Code, if required to make such offer; and (iv) the Support Letter terminates.

If the Merger Agreement is terminated, break fees may become payable by Premier or Chrysaor in certain circumstances.

In Premier's case, the maximum amount of any break fee payable to the Harbour/Chrysaor Parties, which was calculated by reference to the aggregate market value of the Ordinary Shares at the relevant time, is limited to US$1,823,692 million. Premier will be required to pay a break fee if the Merger Agreement is terminated by the Harbour/Chrysaor Parties in circumstances where: (i) the Merger does not complete because Premier breaches certain of its obligations under the Merger Agreement; (ii) the Shareholders vote against the Merger, Whitewash and Debt Restructuring Resolutions at the General Meeting (except in circumstances where a third party announces an offer under Rule 2.7 of the Takeover Code and the Board decides to recommend such offer); (iii) Chrysaor terminates the Support Letter in circumstances where creditor(s) holding a significant proportion of the debt to take action in breach of the Support Letter which effectively blocks the Restructuring Plans; (iv) the recommendation of the Merger by the Board of Premier is withdrawn, suspended, qualified or adversely modified or amended.

However, Premier will not be obliged to pay a break fee (i) during any offer period (as defined in the Takeover Code) unless and until the third party offer or possible offer that commenced that offer period and all competing third party offers subsequently lapse or are withdrawn; or (ii) if the third party offer or possible offer becomes unconditional as to acceptances (in accordance with the Takeover Code) or if an implementing scheme of arrangement in respect of such offer becomes effective. Premier will also not be obliged to pay a break fee if the parties to the Merger Agreement agree to disregard the break fee trigger event following a Rule 21.2 determination by the Takeover Panel.

The break fee amounts payable by Chrysaor vary depending on the materiality of the termination event. Chrysaor will be required to pay a break fee of US$100 million if the Merger Agreement is terminated in circumstances where: (i) the Merger fails to complete because the New RBL Facility is not available, or any of Harbour/Chrysaor Parties is in breach of its completion obligations; (ii) Harbour does not commit to making a Rule 9 offer for Premier shares under the Takeover Code, if required by the Takeover Code to make such offer; (iii) Chrysaor is in material breach of its warranties or interim covenants given under the Merger Agreement; or (iv) subject to certain exceptions, Premier is unable to make the working capital statement required in this Prospectus and the Circular. A lower break fee of USS20 million will be payable by Chrysaor: (i) if Premier shares are ineligible for re-admission to listing on the premium segment of the Official List for reasons related to Chrysaor or its shareholders, for any reason other than in relation to working capital requirements; or (ii) in certain circumstances where a party to the Support Letter (other than a Harbour/Chrysaor Party) becomes entitled to terminate such arrangements.

Under the terms of the Merger Agreement, the Premier directors have the right to amend or withdraw their recommendation of the Merger at any time if they conclude that such course of action is required as a result of the statutory or fiduciary duties to which the Premier directors are subject.

1.8 Governing law

The Merger Agreement is governed by the laws of England and Wales.

2. Management Warranty Deed

2.1 Parties and structure

The Management Warranty Deed was entered into on 6 October 2020 between Premier and certain members of the management team of Chrysaor (such individuals being for these purposes the "**Individual Warrantors**").

2.2 Warranties

Under the Management Warranty Deed, each Individual Warrantor has given customary business warranties in respect of the Chrysaor Group and its business which relate to, amongst other things, its financial accounts, material contracts, its intellectual property and information technology, compliance with applicable laws and regulation, ownership of material assets, historic taxes and the absence of material litigation and material insurance claims. The warranties given by each Individual Warrantor will be deemed to be repeated immediately prior to completion.

Separately, under a disclosure letter from the Individual Warrantors to Premier (the "**Disclosure Letter**"), Premier has acknowledged that certain information which has been fairly disclosed shall qualify the Individual Warrantors' warranties. Accordingly, there shall be no breach of the Individual Warrantors' warranties under the Management Warranty Deed if facts and/or matters that would otherwise give rise to a breach of warranty have been fairly disclosed, including in the data room or on certain relevant public registers.

2.3 Limitations of liability

The Individual Warrantor's liability in respect of claims by Premier under the warranties is limited to an aggregate nominal cap of £1. Premier has taken out a warranty and indemnity insurance policy with cover of up to US$250 million in respect of claims. Chrysaor Equity Holdings Ltd has agreed to pay £4,871,112, which represents 100 per cent. of the premium and certain other associated costs, in respect of the policy.

2.4 Termination

In the event that the Merger Agreement is terminated or rescinded for any reason, the Management Warranty Deed will terminate automatically and immediately and none of the Individual Warrantors will have any liability under or in connection with the Management Warranty Deed.

2.5 Governing law

The Management Warranty Deed is governed by the laws of England and Wales.

PART IV – DETAILS OF THE DEBT RESTRUCTURING

1. Introduction

Premier has been in discussions with certain of its creditors and hedge counterparties for some time regarding the refinancing of its Existing Debt Facilities and XCCY Swaps due to their upcoming maturity date of 31 May 2021.

The proposed terms of the Debt Restructuring, which will be implemented through three Court-sanctioned Restructuring Plans, were agreed with a sub-set of Premier's creditors on 6 October 2020. Given the level of Super Senior XCCY Restructuring Plan Creditors, Super Senior RCF/LC Restructuring Plan Creditors and Senior Restructuring Plan Creditors which have entered into the Support Letter, the Directors confirm that Premier has secured sufficient commitments from the requisite majorities to obtain the creditor approvals required for the Debt Restructuring.

It is anticipated that the Restructuring Plan Creditor Meetings will be convened following a hearing at the English Court scheduled to be held on 19 January 2021 and a hearing at the Scottish Court scheduled to be held on 25 January 2021. If the Restructuring Plan Creditor Meetings are convened by the relevant Courts as expected, it is anticipated that the Restructuring Plan Creditor Meetings will be held on 22 February 2021.

If the Debt Restructuring completes, Restructuring Plan Creditors will receive the following in satisfaction of their drawn commitments or exposure (as applicable) under the Existing Debt Facilities and XCCY Swaps:

- an upfront cash payment (funded through a combination of the New RBL Facility and Premier's and Chrysaor's existing cash resources) of US$1.23 billion (subject to certain adjustments);
- Creditor Shares or, subject to meeting eligibility requirements, New Equity Warrants, or, for Senior Creditors and Senior XCCY Hedge Counterparties which so elect, a further cash payment pursuant to the Partial Cash Alternative (capped at approximately US$175 million).

As announced on 6 October 2020, the Upfront Cash Consideration and the refinancing of the Premier Group's outstanding letters of credit of approximately US$400 million together represent approximately 61 cents on the dollar for Restructuring Plan Creditors (on average across all Restructuring Plan Creditors). If a Senior Creditor elects for the Partial Cash Alternative, they will receive an additional payment of up to 14 cents on the dollar, approximately, instead of receiving Creditor Shares.

In addition, the Debt Restructuring will involve:

- the cancellation of all undrawn commitments under the Super Senior Secured RCF/LC Facility Agreement, the Senior RCF/LC Facility Agreement and the Nelson Bilateral LC Facility Agreement;
- the replacement of all outstanding letters of credit under the Super Senior Secured RCF/LC Facility Agreement, the Senior RCF/LC Facility Agreement and the Nelson Bilateral LC Facility Agreement with the cancellation of all commitments in relation to such letters of credit;
- Senior Creditors and Senior XCCY Hedge Counterparties will be able to subscribe for unallocated Creditor Shares through the Top-Up Election; and
- in order to allow time for the Merger to complete, or in the event the Merger, Whitewash and Debt Restructuring Resolutions are not passed to agree and implement an alternative plan for implementation of the Merger and the Debt Restructuring or, if that is not possible, an alternative transaction to address the Existing Debt Facilities, the Interim Maturity Extension.

Furthermore, as part of the Debt Restructuring, certain creditors of the Premier Group will have entered into the Creditor Lock-Up Agreement, conditional on Admission and Readmission occurring. Under the terms of the Creditor Lock-Up Agreement, Creditor Shares (which shall include the New Equity Warrants and the New Warrant Shares but shall exclude any Creditor Shares issued pursuant to the Top-Up Election) held by Restructuring Plan Creditors and their designated nominees whose holdings represent more than 2.7 per cent. of the enlarged share capital of the Company on Admission will be subject to a lock-up period of three months in respect of fifty per cent. of their Creditor Shares and a further three-month lock-up period in respect of their remaining Creditor Shares. For further details on the Creditor Lock-Up Agreement, please see section 5.1 of Part VIII (*Additional Information*).

2. Overview of the Premier Group's capital structure

The Premier Group completed the 2017 Refinancing in July 2017. The key terms of the 2017 Refinancing involved:

(A) the amendment of the maturity dates under each of the Existing Debt Facilities and the XCCY Swaps to 31 May 2021;

(B) amending the Premier Group's financial covenants to give the Premier Group greater financial flexibility in the medium term;

(C) improved creditor economics, including an amendment fee, an interest rate uplift and the issue of equity warrants and/or synthetic warrants to creditors under the Premier Group's existing debt facilities;

(D) increased guarantor coverage and the grant of security over substantially all the Premier Group's assets;

(E) priority being granted to the Super Senior Secured RCF/LC Facilities, being the portion of the Premier Group's existing revolving credit and letter of credit facility that was undrawn as at a reference date of 15 March 2016, as well as any increase in hedging exposure of the Hedge Counterparties since that date;

(F) milestones and covenants aimed at facilitating the deleveraging of the Premier Group; and

(G) a common set of creditor reserved matters and covenants, including annual approval of the Premier Group's expenditure budget, final sanction of capital expenditure in excess of certain thresholds and certain approval rights in respect of acquisitions and disposals.

As part of the 2017 Refinancing, the documents constituting the Existing Debt Facilities and the XCCY Swaps (as in effect at the time) were amended, and their key terms overridden, by the Override Agreement and the Intercreditor Agreement. The Override Agreement includes a common set of representations and warrants, information undertakings, financial and non-financial covenants and events of default, which apply to each of the Existing Debt Facilities (other than the Retail Bonds) . Further details of the Override Agreement and the Intercreditor Agreement are set out at paragraph 5.1 of Part VIII (*Additional Information*) of this document.

Following the 2017 Refinancing, amounts owed under the Existing Debt Facilities and the XCCY Swaps are guaranteed by certain members of the Premier Group and are secured by a comprehensive security package. The security package consists of, subject to certain limited exceptions in each case: (i) security over the shares in certain members of the Premier Group; and (ii) fixed and floating charges over the assets of certain members of the Premier Group incorporated in England and equivalent security over the assets of certain other members of the Premier Group to the extent possible.

Under the Intercreditor Agreement, the Super Senior Secured RCF/LC Facilities and the Super Senior XCCY Exposures are first-ranking, rank *pari passu* with each other, and have the benefit of priority over all the other Existing Debt Facilities and the Senior XCCY Exposures. Those other Existing Debt Facilities and Senior XCCY Exposures are, in turn, senior to other debt ranked under the Intercreditor Agreement and rank *pari passu* with one another.

After the 2017 Refinancing, the Premier Group returned to positive free cash flow and took a number of measures to deleverage its balance sheet. These have included the conversion of its convertible bonds into Ordinary Shares and the realisation of more than US$300 million of proceeds from non-core disposals.

Following the conversion of the convertible bonds and the application of disposal proceeds and excess cash in mandatory prepayment of its existing debt facilities, as at the Latest Practicable Date the Premier Group has the following debt facilities, namely the Existing Debt Facilities:

- the Super Senior Secured RCF/LC Facilities, comprising a US$25.84 million cash loan facility and a US$15.15 million letter of credit facility;
- the Senior RCF Facilities, comprising a US$1,346 million cash loan facility and a US$434.85 million letter of credit facility;
- the Term Loan Facilities, comprising a £100 million Facility A and a US$150 million Facility B;

- the USPP Notes, comprising the €35 million Series A 2011 notes, the US$13 million Series B 2011 notes, the US$128 million Series C 2011 notes, Series C 2011 notes, the €25 million Series A 2012 notes, the US$35 million Series B 2012 notes, the US$84 million Series C 2012 notes, the US$38 million Series D 2012 notes and the make-whole notes issued as part of the 2017 Refinancing;
- the Converted Facility, comprising a US$60 million Facility A, a US$50 million Facility B and a US$20 million Facility C;
- the Nelson Bilateral LC Facility (£4.4 million); and
- the Retail Bonds (£150 million).

In addition to the Existing Debt Facilities, the Premier Group has various hedging transactions in place, including cross-currency swaps (the "**XCCY Swaps**"), commodity swaps and options and interest rate swaps. Where hedging transactions are entered into with institutions which are party to the Override Agreement and the Intercreditor Agreement in their capacity as hedge counterparties, the relevant hedging transactions benefit from the same guarantee and security package as the Existing Debt Facilities (as described above). Under the Intercreditor Agreement, the guaranteed and secured hedging transactions rank senior save that any increase in a Hedge Counterparty's hedging exposure since 15 March 2016 ranks super senior.

The hedge counterparties to the XCCY Swaps are referred to as the "XCCY Hedge Counterparties". The exposure of the XCCY Hedge Counterparties up to a maximum of its exposure as at 15 March 2016 is referred to as the "Senior XCCY Exposure", and any increase in a XCCY Hedge Counterparty's exposure since 15 March 2016 is referred to as the "**Super Senior XCCY Exposure**"). As at 30 November 2020, the XCCY Swaps represented a liability of the Premier Group of US$109.0 million, of which US$49.1 million ranked super senior (the "**Super Senior XCCY Swaps**") and US$59.9 million ranked senior (the "**Senior XCCY Swaps**").

3. Background to and reasons for the Debt Restructuring

3.1 Deleveraging since the 2017 Refinancing and upcoming maturity

As a result of the Premier Group's return to positive free cash flow following completion of the 2017 Refinancing, and the other measures taken to deleverage its balance sheet, the Premier Group delivered significant debt reduction of US$393.5 million during 2018 and in excess of US$340 million more during 2019. Despite the significant commodity price weakness and volatility driven by the collapse in global oil demand due to COVID-19, the Premier Group's net debt reduced slightly in the half year ending 30 June 2020. Notwithstanding this significant debt reduction since the 2017 Refinancing, the Premier Group's net debt at the half year ended 30 June 2020 was US$1.97 billion. In addition, the Premier Group's aggregate mark-to-market liability under the XCCY Swaps owing to the XCCY Hedge Counterparties was approximately US$145 million as at that date. The Directors are of the view that it will not be possible to repay this amount of debt on 31 May 2021 (the "**Existing Maturity Date**"), being when the Existing Debt Facilities and XCCY Swaps mature.

3.2 Feasibility of a future refinancing

As noted above, the Combined Group will be primarily financed by the New RBL Facility. Prior to the announcement of the Debt Restructuring, the Premier Group's medium-term objective was to migrate its current capital structure to a more conventional funding position for E&P companies similar to Premier, such as Chrysaor, which was likely to involve a secured reserve based lending ("**RBL**") facility combined with a subordinated public debt instrument (for example, a New York law governed high yield bond). An RBL facility is a type of asset-based lending commonly used in the upstream oil and gas sector, under which loans are made against, and secured by, an oil and gas field or a portfolio of undeveloped and/or developed and producing oil and gas assets. The amount of the RBL facility available to the borrower is based on the value of the borrower's oil and gas reserves, as adjusted from time to time.

The Premier Group carried out extensive discussions with lenders who frequently arrange and participate in RBL facilities about the possibility of putting in place an RBL facility prior to 31 May 2021. Based on these discussions the Directors concluded that the Premier Group's current debt capacity under an RBL facility, without the reserves provided by the Chrysaor Group, is far lower than the Premier Group's current debt levels, and that the Premier Group's current credit profile would not support a high yield bond issue of sufficient size to cover the resulting shortfall. Accordingly, the conclusion had been reached that it was not possible to achieve a refinancing based on an RBL facility with the Premier Group's existing assets and a high yield bond issue until the Premier Group has deleveraged further.

As an alternative, the Directors had explored whether it would be possible to refinance part of the Existing Debt Facilities and XCCY Swaps through third party facilities prior to 31 May 2021. However, given the fully secured nature of the Premier Group's existing capital structure and the complex intercreditor arrangements that were put in place as part of the 2017 Refinancing, the Directors considered that it would not be possible to introduce new debt facilities into, or to restructure, the Premier Group's capital structure while the Existing Debt Facilities and XCCY Swaps remain outstanding. In the absence of other options to refinance the Existing Debt Facilities and the XCCY Swaps in part or in full, the Directors concluded that the appropriate course was to seek an extension of the Existing Maturity Date, which it attempted to do through the schemes of arrangement proposed by the Company and POUK with certain of its creditors earlier this year (the "**2020 Schemes**").

3.3 2020 Schemes

Under the 2020 Schemes the Premier Group sought to implement a transaction which, had it gone ahead, would have involved the acquisition of BP's interests in the Andrew Area and the Shearwater Field in the North Sea and an additional 25 per cent. interest in the Tolmount field from Dana Petroleum, the funding of those acquisitions through a US$500 million equity raise, and an extension of the Existing Maturity Date to 30 November 2023. The intention had been that successful implementation of this transaction (each element of which was inter-conditional on the others) would have created a period in which the Premier Group could continue to deleverage its balance sheet and seek to increase its debt capacity, with a view to being able to refinance through new third party debt facilities on or before 30 November 2023.

Although the 2020 Schemes were actively opposed by ARCM, they were approved by the requisite majorities of creditors (86.81 per cent. of super senior secured commitments by value and 83.86 per cent of the senior commitments by value) on 12 February 2020 and were sanctioned by the Scottish Court on 29 April 2020. However, as a result of the collapse in commodity prices due to COVID-19, implementation of the acquisitions and equity raise contemplated by the 2020 Schemes ceased to be commercially viable. That in turn meant, due to the inter-conditional terms of the transaction, that the extension of the Existing Maturity Date to 30 November 2023 did not take place.

Premier reached a settlement agreement with ARCM in respect of the 2020 Schemes on 5 June 2020, whereby ARCM withdrew its appeal of the Scottish Court's judgment approving the 2020 Schemes, undertook to support the Stable Platform Agreement and the acquisition of the Andrew and Shearwater assets on amended terms, and undertook to provide its consent to any proposed solution to the Existing Maturity Date which had the agreement of each member of the IWG (other than any proposal which unfairly prejudiced ARCM relative to other creditors). Pursuant to the ARCM Settlement Agreement, Premier issued new shares representing 8.91 per cent. of the Parent Company's enlarged share capital to ARCM, and paid certain of ARCM's costs in relation to the 2020 Schemes.

3.4 Deferral of covenants under the Stable Platform Agreement

As a result of the impact of lower oil prices and the COVID-19 pandemic on the Premier Group's financial performance, and despite actions taken by the Premier Group to reduce costs, the leverage of the Premier Group has increased since 31 December 2019.

The Override Agreement contains a net debt to EBITDA financial covenant (the "**Net Leverage Ratio**") and an EBITDA to net interest payable financial covenant (the "**Interest Cover Ratio**"), each of which is assessed in respect of 12 month testing periods ending on 31 March, 30 June, 30 September and 31 December of each year. In the second quarter of 2020, forecasts showed a possibility that the Premier Group would not comply with the Net Leverage Ratio or the Interest Cover Ratio in respect of the 12 month testing period ended 30 June 2020.

Accordingly, Premier agreed a range of measures under the Stable Platform Agreement which became effective on 8 July 2020 in order to create a period of stability until 30 September 2020 during which Premier could finalise the terms of and implement a refinancing of its Existing Debt Facilities and XCCY Swaps ahead of the Existing Maturity Date. This included the temporary waiver of the Net Leverage Ratio and the Interest Cover Ratio until 30 September 2020.

The Premier Group's financial statements for the testing period ended 30 June 2020 subsequently showed that the Premier Group would have breached the financial covenants under the Override Agreement if they had not been temporarily waived pursuant to the Stable Platform Agreement. Pursuant to a consent letter dated 29 September 2020, the Stable Platform Agreement (including the financial covenant waivers thereunder) was extended to 5 November 2020, such that it covered the testing period ended on 30 September 2020 as well as the one ended on 30 June 2020. The Stable Platform Agreement was subsequently terminated by the Support Letter, which waives the Premier Group's financial covenants through to the earlier of: (a) the date on which the Debt Restructuring becomes effective or (where the Merger Agreement has terminated) the Interim Maturity Extension becomes effective; and (b) the date that is 45 days following the termination of the Support Letter. Further details in respect of the termination rights under the Support Letter are set out under the Risk Factor entitled "*The Support Letter may be terminated in accordance with its terms on the occurrence of certain specified events*.".

3.5 Development of the Merger and the Debt Restructuring

In parallel with negotiating and signing the Stable Platform Agreement, the Premier Group continued to engage with creditors on options to address the Existing Maturity Date. These negotiations were led on the creditor side by a subset of Private Creditors, being the IWG and ARCM.

As part of the discussions that took place, a range of possible options was considered. One option which emerged (the "**Standalone Transaction**") was an extension of the Existing Maturity Date until 31 March 2025, which would be supported by an equity raise of up to US$530 million and the acquisition from BP of the Andrew or Andrew and Shearwater assets on amended terms. Up to a maximum of US$205 million of the equity raise would be underwritten by the creditors under the Existing Debt Facilities and the XCCY Swaps, who would convert their debt claims into new ordinary shares in the Company to the extent that the equity raise was not fully subscribed. Certain other amendments would also be made to the documents governing the Existing Debt Facilities and the XCCY Swaps, including the reset of the financial covenants under the Override Agreement and the repricing of the Existing Debt Facilities.

On 20 August 2020 the Company announced that it had agreed heads of terms for the Standalone Transaction with a sub-set of its creditors, being the IWG and ARCM. The announcement stated that the Standalone Transaction remained subject to a number of matters, including shareholder approvals, finalisation of a detailed term sheet for credit approval processes, long-form documentation, implementation of the transaction through restructuring plans under Part 26A of the Companies Act 2006 and total take-up under the equity raise being not less than US$325 million. A detailed term sheet for the Standalone Transaction was subsequently finalised and posted to the Private Creditors and the XCCY Hedge Counterparties, who were invited to enter into a support letter whereby they would undertake to support the Standalone Transaction and vote in favour of the restructuring plans.

In parallel to developing and progressing the Standalone Transaction, and as required by the terms of the Stable Platform Agreement, the Company ran a process to determine whether a strategic investor might be interested in investing in the Premier Group. As part of this process, the Company invited six potential strategic investors, including Chrysaor, to submit an expression of interest regarding the subscription for a significant minority stake in the Company. Two potential strategic investors (including Chrysaor) submitted an expression of interest; however, instead of indicating an interest in subscribing for a minority stake, Chrysaor proposed a merger of the Premier Group and the Chrysaor Group and a reorganisation of the Existing Debt Facilities. The Company entered into discussions regarding alternatives to the Standalone Transaction with both of the parties which had submitted expressions of interest, as was confirmed by the Company's announcement on 15 September 2020 following press speculation that the Company was in discussions with Chrysaor. Whereas discussions with the second party were not successful, discussions with Chrysaor developed into the Debt Restructuring and the Merger.

On 6 October 2020 the IWG and ARCM confirmed to the Company in writing that they had decided to support the Merger and the Debt Restructuring over the Standalone Transaction on the basis that, in their view, the Merger and the Debt Restructuring was likely to offer a better outcome to creditors than the Standalone Transaction. Following this feedback, and in light of the challenging macroeconomic conditions, the Board concluded that the Standalone Transaction was no longer capable of gaining the requisite creditor support required for implementation in accordance with its terms and that the Proposed Transaction had greater execution certainty than the Standalone Transaction. All further work on the Standalone Transaction ceased accordingly.

In the days leading up to the announcement of the Merger and Debt Restructuring on 6 October 2020, the Company negotiated the final terms of the Merger with representatives of Chrysaor and Chrysaor's shareholders and agreed an increase in the proportion of equity in the Combined Group that will be retained by the Company's existing shareholders.

Having carefully developed and reviewed the terms of the Debt Restructuring and the Merger, and having considered the feedback from the IWG and ARCM, the Directors concluded that the Debt Restructuring and the Merger was in the best interests of, and would promote the success of, the Premier Group for the benefit of its shareholders and creditors and other stakeholders.

3.6 Support Letter

Super Senior XCCY Restructuring Plan Creditors representing 100 per cent. of the aggregate of the estimated Super Senior XCCY Exposures as at 30 November 2020, Super Senior RCF/LC Restructuring Plan Creditors representing 92 per cent. of the aggregate outstanding commitments under the Super Senior Secured RCF/LC Facilities and Senior Restructuring Plan Creditors representing 86 per cent. of the aggregate of (i) outstanding commitments under the Senior Secured Debt Facilities, and (ii) the aggregate of the Senior XCCY Exposures, have entered into the Support Letter whereby they have undertaken to support the Debt Restructuring, including by voting in favour of the Restructuring Plans.

The Non-XCCY Hedge Counterparties have undertaken to consent to the aspects of the Debt Restructuring which require their consent, having respectively entered into separate support letters.

For further information regarding the Support Letter and the Non-XCCY Hedging Support Letter, see paragraph 5.1 of Part VIII (Additional Information).

4. Terms of the New Equity Warrants

Introduction

In the event that the Partial Cash Alternative is oversubscribed, Restructuring Plan Creditors who have elected to participate in the Partial Cash Alternative and are able to provide Premier and Chrysaor with evidence (to the reasonable satisfaction of Premier and Chrysaor) that the subscription by it for New Ordinary Shares: (i) is prohibited by laws or regulations to which it is subject (and provides appropriate detail of the laws or regulations); or (ii) could give rise to liability for it or any of its affiliates to any governmental, banking, taxing, municipal or other regulatory authority or similar body (and provides appropriate detail of the potential liability) may elect to be issued New Equity Warrants rather than receiving an allocation of New Ordinary Shares pursuant to the Debt Restructuring. Such New Equity Warrants will represent a number of New Ordinary Shares equal to the number of Creditor Shares such a Restructuring Plan Creditor would otherwise have been allocated pursuant to the Debt Restructuring. The maximum number of New Equity Warrants that will be issued on completion of the Debt Restructuring is 148,085,228.

The New Equity Warrants will be constituted by the New Equity Warrant Deed Poll and will be issued subject to, and with the benefit of, the terms and conditions which are summarised below. The ISIN of the New Equity Warrants will be GB00BM9GMR34.

The number of New Equity Warrants to be issued by the Company upon the completion of the Merger and the Debt Restructuring will be determined by the extent to which eligible Restructuring Plan Creditors elect to take up entitlements in respect of the Partial Cash Alternative. If the maximum number of New Equity Warrants are issued pursuant to the Debt Restructuring, the Company will issue New Equity Warrants equivalent to up to 0.80 per cent. of the enlarged issued share capital of the Company following completion of the Merger and the Debt Restructuring (assuming maximum take-up of the Partial Cash Alternative).

The New Equity Warrants will be afforded certain anti-dilution protections as described below. Further details on the New Equity Warrants can be found in section 4 of Part II (*Details of the Debt Restructuring*) of the Prospectus.

(A) Subscription rights

Each New Equity Warrant Holder will have the right to subscribe at any time during the Exercise Period for New Warrant Shares at the New Equity Warrants Exercise Price, on the basis of one New Warrant Share for every New Equity Warrant held (although the number of New Warrant Shares to be issued per New Equity Warrant may be adjusted on the occurrence of an Equity Adjustment Event as described in paragraph (F) below).

(B) New Equity Warrants Exercise Price

Subject to the occurrence of any Equity Adjustment Event, the New Equity Warrants will have an exercise price equal to 0.001 pence.

(C) Currency

The New Equity Warrants Exercise Price is denominated in pounds sterling.

(D) Fractions of shares

No fraction of a New Warrant Share will be issued on the exercise of a New Equity Warrant and any fractional entitlement will accordingly be rounded down to the nearest whole New Warrant Share, but if more than one New Equity Warrant is exercised at the same time by the same New Equity Warrant Holder, then, for the purposes of determining the number of New Warrant Shares to be issued and whether any (and, if so, what) fraction a of New Warrant Share would arise, the number of New Warrant Shares arising on the exercise of each New Equity Warrant (including, for this purpose, fractions) will first be aggregated.

(E) Dividends

If the Company declares a dividend during the Exercise Period but before a New Equity Warrant Holder has elected to receive its corresponding New Warrant Shares, the New Equity Warrants Exercise Price shall be adjusted accordingly (see paragraph (F) below for further details). However, if such Equity Adjustment Event would result in the New Equity Warrants Exercise Price of the New Warrant Share(s) to be issued on exercise of a New Equity Warrant being adjusted to an amount less than the nominal value of such New Warrant Shares (i.e. 0.0001 pence), pursuant to the New Equity Warrant Deed Poll, New Equity Warrant Holders shall rank for any dividends and distributions paid to Shareholders as if those New Equity Warrants had been exercised and the Warrant Shares issued prior to dividend or distribution record date (notwithstanding that they are yet to exercise their New Equity Warrants).

(F) Equity Adjustment Events

The New Equity Warrants Exercise Price and/or number of New Warrant Shares issuable upon exercise of a New Equity Warrant shall be adjusted on the occurrence of an Equity Adjustment Event. The New Equity Warrant Deed Poll includes the following Equity Adjustment Events:

(i) any allotment or issue of Ordinary Shares (or any increase in the nominal value of Ordinary Shares) by way of capitalisation of profits or reserves (including share premium account and any capital redemption reserve fund) but other than Ordinary Shares paid up out of distributable profits or reserves and issued in lieu of a cash dividend;

(ii) any dividend or distribution (whether in cash or in specie and including, without limitation, Ordinary Shares paid up out of distributable profits or reserves and issued in lieu of a cash dividend) made by the Company in respect of any record date which is on or after the date on which the New Equity Warrants are issued, provided that such Equity Adjustment Event will not result in the New Equity Warrant Exercise Price of the New Warrant Shares to be issued on exercise of a New Equity Warrant being adjusted to less than the nominal value of such New Warrant Shares, in which case the New Equity Warrant Deed Poll provides that New

Equity Warrant Holders shall rank for any dividends and distributions paid in respect of any record date which is on or after the date on which the relevant New Equity Warrants are issued;

(iii) any sub-division or consolidation or reclassification of Ordinary Shares; or

(iv) any cancellation or reduction of the share capital, share premium account or capital redemption reserve of the Company, involving a repayment of capital.

(G) Information and other rights of New Equity Warrant Holders

Premier will make available to each New Equity Warrant Holder through its website (and shall, upon written request by any New Equity Warrant Holder, send (or procure the sending of) to such New Equity Warrant Holder):

(a) a copy of the Company's audited financial statements and interim accounts, in each case, no later than the time they are issued to holders of Ordinary Shares or announced via a regulatory news service; and

(b) a copy of every notice, circular or other document issued to the holders of Ordinary Shares concurrently with the issue of the same items to those holders.

Upon the written request of any New Equity Warrant Holder, Premier will promptly inform such New Equity Warrant Holder of the New Equity Warrants Exercise Price and the specified number of Ordinary Shares which would fall to be issued at that time in respect of one New Equity Warrant.

(H) Restrictions on transfer

The New Equity Warrants will be freely transferable except that:

(i) transfer of the New Equity Warrants may not be effected after the Exercise Period;

(ii) transfers of the New Equity Warrants will be subject to all applicable laws and regulations, including US federal and state securities laws. Any purported transfer in violation of those laws or regulations shall be void and ineffective, and shall not operate to transfer any interest in the applicable New Equity Warrants to the purported transferee;

(iii) for so long as any New Equity Warrants are represented by either of the Global Warrant Certificates, such New Equity Warrants will be transferable through an account at CREST, subject to and in accordance with the rules and procedures of CREST. Title will pass upon registration of the transfer in the records of CREST;

(iv) if and for so long as any New Equity Warrants are represented by Individual Warrant Certificates, a New Equity Warrant may be transferred upon surrender of the related Individual Warrant Certificate (or, if no Individual Warrant Certificate is surrendered, upon evidence reasonably satisfactory to the Warrant Agent and the Company of a person's interest in the New Equity Warrant), with a duly completed and endorsed form of transfer in specified form at the specified office of the Warrant Agent, together with such other evidence as the Warrant Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer. In the case of a transfer where not all of the New Equity Warrants evidenced by the surrendered Individual Warrant Certificate are the subject of the transfer, a new Individual Warrant Certificate in respect of the balance not transferred will be issued to the transferor. No transfer of any New Equity Warrant which is represented by an Individual Warrant Certificate will be valid unless and until entered on the warrant register. Within five Business Days of the surrender of an Individual Warrant Certificate, the Warrant Agent will register the transfer in question and deliver a new Individual Warrant Certificate to the New Equity Warrant Holder or (at the request and risk of any such relevant New Equity Warrant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such New Equity Warrant Holder;

(v) the transfer of any New Equity Warrant which is represented by an Individual Warrant Certificate will be effected without charge by or on behalf of the Company or the Warrant Agent. Neither the Company nor the Warrant Agent will be responsible for the payment of tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer; and

(vi) all transfers of New Equity Warrants and entries on the warrant register will be subject to the detailed regulations and all applicable laws concerning the transfer of New Equity Warrants, as set out in the New Equity Warrant Deed Poll.

(I) Authority

In order to issue the New Equity Warrants, the Shareholders will need to grant the Directors authority to grant rights to subscribe for and to allot New Warrant Shares on exercise of the New Equity Warrants at the General Meeting. Such authority shall, if necessary, be granted pursuant to the Merger, Whitewash and Debt Restructuring Resolutions, further details of which can be found in paragraph 9 of Part I (*Letter from the Chairman of Premier*) of this document.

(J) Admission to trading

The New Equity Warrants will not be admitted to trading on any market or exchange.

(K) The Exercise Period

The New Equity Warrants will expire and be of no further force and effect from the second anniversary of the date on which the New Equity Warrant Deed Poll comes into effect.

5. Conditions to the Debt Restructuring

The Debt Restructuring is subject to certain conditions which must be satisfied or waived, including:

(A) the Merger, Whitewash and Debt Restructuring Resolutions having been passed by Shareholders at the General Meeting;

(B) the Restructuring Plans (which are inter-conditional) having been approved by the requisite majorities at the Restructuring Plan Creditor Meetings, sanctioned by the relevant Courts and a copy of the sanction orders delivered to the Registrar of Companies for Scotland or the Registrar of Companies for England and Wales (as applicable);

(C) each of the Non-XCCY Hedge Counterparties having given any consents required in connection with the Debt Restructuring, which the Non-XCCY Hedge Counterparties have undertaken to do pursuant to the Non-XCCY Hedging Support Letters;

(D) satisfaction of certain documentary conditions in respect of conditions precedent that are customary for a secured financing transaction and/or are within the control of the Premier Group;

(E) the FCA and the LSE each having approved the applications for Admission to take place (by not later than the Long Stop Date); and

(F) payment of certain costs associated with the Debt Restructuring.

As at the date of this document, each of the conditions listed above remain outstanding. In order to satisfy each of these outstanding conditions Premier intends to:

(A) pass the Merger, Whitewash and Debt Restructuring Resolutions at a General Meeting to be held on 12 January 2021;

(B) obtain approval of the Restructuring Plans from Restructuring Plan Creditors at the Restructuring Plan Creditor Meetings to be held on 22 February 2021 as part of the Restructuring Plans process and present the Restructuring Plans for sanction by the relevant Courts;

(C) facilitate and arrange the delivery of the relevant conditions precedent;

(D) make the applications to the FCA and the London Stock Exchange required for Admission; and

(E) arrange that the relevant costs associated with the Debt Restructuring are paid prior to or at completion of the Merger and Debt Restructuring.

If any of the conditions to the Debt Restructuring are not satisfied or waived (to the extent applicable) the Debt Restructuring will not complete. As a result, if the Debt Restructuring does not proceed and the Premier Group does not secure future financial covenant deferrals, it is expected that the Premier Group's Existing Debt Facilities and the XCCY Swaps will become payable before 31 May 2021. In such circumstances, Premier considers that the Premier Group would not be able to repay, or otherwise refinance, the facilities which would become payable in these circumstances and, as a result, it is likely, that members of the Premier Group would be unable to continue trading. It is therefore critical that Premier moves to implement the Merger and the Debt Restructuring in order to avoid the aforementioned risks.

For further details on the consequences of the Debt Restructuring not proceeding, please refer to the Risk Factors entitled "*If the Interim Maturity Extension becomes effective but the Merger and the Debt Restructuring do not proceed, the ability of members of the Premier Group to continue trading will depend on ongoing support from the Premier Group's creditors*" and "*If the Interim Maturity Extension does not become effective and the Merger and the Debt Restructuring do not proceed, the Premier Group's financial position would be materially adversely affected and it is likely that companies within the Premier Group would be placed into insolvency procedures on or before 31 May 2021*" above.

6. Overview of the New RBL Facility

6.1 Overview

On 23 November 2020, certain members of the Chrysaor Group entered into an Amendment and Restatement Agreement with, among others, Bank of Montreal, London Branch, BNP Paribas, DNB (UK) Limited, and Lloyds Bank plc, which will amend and restate the Chrysaor Existing RBL Facility (which was originally entered into on 30 January 2017 and as amended and restated from time to time, including most recently on 3 June 2020) and pursuant to which an up to US$4.5 billion reserve-based lending facility (referred to in this document as the New RBL Facility) will be provided in connection with the Merger and the Debt Restructuring. The New RBL Facility will include a letter of credit sub-limit of up to US$1,250 million and a separate accordion facility of up to USS750 million (which would increase the total aggregate commitments up to USS5.25 billion) subject to satisfaction of certain conditions set out in the applicable accordion provisions contained in the New RBL Facility. The amendment and restatement of the Chrysaor Existing RBL facility will become effective upon the satisfaction of certain conditions precedent, including, among other things, agreed forms of new security documentation and deeds of release, a revised CPR and projection and customary documentary conditions precedent. In addition, certain conditions precedent need to be satisfied prior to any utilisation of the New RBL Facility to fund repayment of the Premier Group's existing creditors and the replacement of letters of credit pursuant to the Merger and the Debt Restructuring. The maximum available amount under the New RBL Facility will be an amount equal to the lower of the aggregate total commitments under the facility (being US$4.5 billion as at the effective date of the New RBL Facility) and the borrowing base amount. The borrowing base amount of the New RBL Facility will be based on the reserves of the Combined Group, in particular the reserves of specific nominated borrowing base assets. The New RBL Facility is what is known as a net present value facility, with the borrowing base amounts based on the expected net present value of future cash flows from the borrowing base assets, taking into account, among other things, the P50 and P90 reserves relating to the borrowing base assets, production profiles and cost and operating expenditure profiles for such borrowing base assets. The borrowing base amount is determined at least once a year by reference to an up to date CPR commissioned by the borrower.

6.2 Security

As with the Chrysaor Existing RBL Facility, the New RBL Facility will be secured by English law share charges, English law debentures, English law charges over certain bank accounts and English law assignment agreements. As part of the completion steps for the Debt Restructuring and conditions precedent to the utilisation of the New RBL Facility, supplemental security will be provided in respect of the existing security package and new security will be provided by the new Premier obligors that hold a direct interest in the new borrowing base assets as well as share security over such obligors and key holding companies in the Combined Group.

6.3 Repayment and maturity

The final maturity date of the New RBL Facility is 23 November 2027. If, however, the remaining reserves attributable to the Combined Group's borrowing base assets are forecast to amount to

25 per cent. or less than the Combined Group's revised approach reserves (as may be subsequently revised), the New RBL Facility will mature on 30 June of the relevant calculation period.

Total aggregate commitments under the New RBL Facility will reduce to approximately US$4,091 million on 1 January 2023, to approximately US$3,682 million on 1 July 2023, to approximately US$3,273 million on 1 January 2024, to approximately US$2,864 million on 1 July 2024, to approximately US$2,455 million on 1 January 2025, to approximately US$2,045 million on 1 July 2025, to approximately US$1,636 million on 1 January 2026, to approximately US$1,227 million on 1 July 2026, to approximately US$818 million on 1 January 2027 and to approximately US$409 million on 1 July 2027.

6.4 Interest and fees

The rate of interest payable on loans under the New RBL Facility is the rate per annum equal to the aggregate of the applicable margin plus LIBOR. The applicable margin is 3.25 per cent. for the period commencing on the effective date of the New RBL Facility to the date falling four years from such effective date and thereafter 3.5 per cent., subject to certain adjustments relating to the carbon emissions associated with the operated borrowing base assets of the Combined Group over the relevant calculation period. Default interest is also payable, at a rate of two per cent. per annum higher than the standard rate of interest payable on loans under the New RBL Facility.

Certain fees are payable to the lenders under the New RBL Facility, including an ongoing commitment fee in respect of the availability of the facility, a commission payable in respect of letters of credit issued from time to time and various fees payable to the administrative finance parties, including the agent, security trustee, account bank, technical banks and modelling banks, for the performance of their functions.

The Chrysaor Group, and following completion of the Merger, the Combined Group shall pay commitment fees on a quarterly basis as follows: a) an amount equal to the percentage rate per annum which is equal to 20 per cent. of the applicable margin on the daily amount by which the aggregate commitments exceeds the higher of the total outstanding utilisations and the maximum available amount (being the lower of such aggregate commitments or the borrowing base amount); and b) an amount equal to the percentage rate per annum which is equal to 40 per cent. of the applicable margin on the daily amount of the difference by which the maximum available amount (as defined above) exceeds the then outstanding utilisations.

The amendment and restatement agreement relating to the New RBL Facility also contains a "ticking fee" payable to the agent in the amounts of: (i) 0 per cent. of the applicable margin for the period on and from the date of the amendment and restatement agreement to the date falling 90 days after such date; (ii) 10 per cent. of the applicable margin for the period commencing 90 days from the date of the amendment and restatement agreement to the date falling 120 days from such date; and (iii) 20 per cent. of the applicable margin thereafter. The "ticking fee" is payable until the date on which the agent notifies Chrysaor E&P Finance Limited and the lenders that the conditions precedent to the effectiveness of the New RBL Facility have been satisfied.

6.5 Representations, warranties, covenants and events of default

Representations

The New RBL Facility contains customary representations, including as to status, binding obligations, non-conflict with other obligations, power and authority, the status of security and material project documents, environmental matters, ownership, the accuracy of information, borrowing base projections, anti-bribery and sanctions and in certain cases are subject to knowledge and materiality qualifications.

Financial covenants

The New RBL Facility requires obligors thereunder to ensure that on each 30 June and 31 December the historic ratio of consolidated total net debt to consolidated EBITDAX for the relevant period is less than 3:1 and the forward-looking ratio of consolidated total net debt to consolidated EBITDAX for the relevant period is less than 3:1. These financial terms are defined in the New RBL Facility and may not correspond to similarly titled metrics in the Premier Group's or the Chrysaor Group's consolidated historical financial information or this document. In the event of non-compliance with the applicable ratio, an event of default will occur under the New RBL Facility unless waived in accordance with the New RBL Facility.

General covenants

The New RBL Facility contains customary undertakings which are subject to certain exceptions and materiality qualifications. Among others, the general undertakings contain restrictions and obligations on obligors thereunder in relation to disposals of assets, acquisitions, the maintenance and exploitation of borrowing base assets (including restrictions on changes in operatorship and abandonment), corporate existence and change of business, incurrence of financial indebtedness, the provision of credit and the incurrence of guarantees and indemnities, the provision of security, the making of distributions entry into hedging agreements, group liquidity, environmental matters, performance of and amendments to the merger documents, the sale of petroleum from borrowing base assets on the best terms reasonably available, and *pari passu* ranking. The New RBL Facility also contains customary covenants relating to the provision of information to the lenders.

Events of default

The New RBL Facility contains customary events of default including breach of financial covenants, qualification of financial statements, non-payment of any amount under the finance documents, insolvency and analogous proceedings, cross-default, misrepresentation, ownership of the obligors, the qualification of accounts, expropriation, repudiation and effectiveness, litigation and material adverse change. There are additional events of default relating to the borrowing base assets and material project documents, each of which is qualified by reference to material adverse effect.

Premier Certain Funds

The New RBL Facility contains certain funds provisions relating to the Merger pursuant to which the lenders are obliged to make available utilisations in connection with the Merger provided that: (i) specified conditions precedent have been satisfied; (ii) no major default is continuing or would result from the proposed utilisation; (iii) all the major representations are true in all material respects; and (iv) no change of control (other than as contemplated by the Merger) has occurred.

6.6 Mandatory prepayment event

The New RBL Facility is to be prepaid in full immediately upon the occurrence of certain events, including on a flotation of a member of the Chrysaor Group prior to completion of the Merger (excluding the Merger itself), a springing maturity linked to the maturity of any issued high yield notes, or on the sale of all or substantially all of the assets of the obligors. There are also separate prepayment obligations which may be triggered upon receipt of certain proceeds of disposals, insurance claims and claims under acquisition documents.

7. Background to and reasons for the Reorganisation of share capital

Reasons for the Subdivision

Pursuant to the terms of the Debt Restructuring, the Company will issue up to 148,085,228 New Equity Warrants to Restructuring Plan Creditors who elect to receive New Equity Warrants instead of New Ordinary Shares in circumstances where the Partial Cash Alternative is oversubscribed, provided that the subscription by such electing Restructuring Plan Creditors to the New Ordinary Shares is restricted by any law or regulation to which such electing Plan Creditor is subject to or would give rise to liability for such electing Plan Creditor to any governmental, banking, taxation, municipality or other regulatory authority. As such, in order to ensure that such Restructuring Plan Creditors receive treatment which is economically comparable to other Restructuring Plan Creditors, the Company has agreed to offer Restructuring Plan Creditors the opportunity to receive New Equity Warrants instead of New Ordinary Shares.

Restructuring Plan Creditors who do elect to receive New Equity Warrants shall be required to pay 0.001 pence per New Ordinary Share to the Company on exercise of the New Equity Warrants, subject to any adjustment of the exercise price of the New Equity Warrants in accordance with the terms of the New Equity Warrant Deed Poll. Under the Companies Act companies incorporated in Scotland are not permitted to issue shares at a price below their existing nominal value. As the New Equity Warrants Exercise Price is below the current nominal value of the Existing Ordinary Shares (which, at the date of this document, is 12.5 pence), it is therefore necessary for the Company to complete the Subdivision prior to the Debt Restructuring taking place in order to reduce the nominal value of each Ordinary Share to an amount no greater than the New Equity Warrants Exercise Price.

Accordingly, it is proposed that, pursuant to the terms of the Subdivision, each Existing Ordinary Share in existence as at the Subdivision Record Date will be subdivided into:

(a) one Ordinary Share with a nominal value of 0.0001 pence each; and

(b) one Non-Voting Deferred Share with a nominal value of 12.4999 pence each.

Non-Voting Deferred Share

The Non-Voting Deferred Shares will be effectively worthless. They will have no voting or dividend rights and, on a return of capital or on a winding up of the Company, will have the right to receive the amount paid up thereon only after holders of all Ordinary Shares have received, in aggregate, any amounts paid up on each Ordinary Share plus £10 million on each Ordinary Share. The Non-Voting Deferred Shares will not give the holder the right to receive notice of, nor attend, speak or vote at, any general meeting of the Company.

No share certificates will be issued in respect of the Non-Voting Deferred Shares, nor will CREST accounts of Shareholders be credited in respect of any entitlement to Non-Voting Deferred Shares, nor will they be listed on the Official List or admitted to trading on the London Stock Exchange or any other investment exchange. As such, the Non-Voting Deferred Shares will not be transferable at any time (other than with the prior written consent of the Directors). The rights attaching to, and restrictions upon, the Non-Voting Deferred Shares are set out in Resolution 4 in the Notice of General Meeting.

New Ordinary Shares

The effect of the Subdivision will mean that each New Ordinary Share will have a nominal value of 0.0001 pence and the number of ordinary shares of the Company listed on the Official List and admitted to trading on the London Stock Exchange's main market for listed securities shall remain the same. Each Shareholder's proportionate interest in the Company's issued ordinary share capital, and the number of Ordinary Shares held, will remain unchanged as a result of the Subdivision. However, each Shareholder's proportionate interest in the Company's issued ordinary share capital will change following Admission of the Consideration Shares and the Creditor Shares issued pursuant to the Merger and the Debt Restructuring.

Aside from the change in nominal value, the rights attaching to the Ordinary Shares (including voting and dividend rights and rights on a return of capital) will be identical in all respects to those of the Existing Ordinary Shares. No new share certificates will be issued in respect of the Ordinary Shares arising from the Subdivision as existing share certificates for Existing Ordinary Shares will remain valid in respect of the same number of such Ordinary Shares.

PART V – DETAILS OF THE TAKEOVER PANEL RULE 9 WAIVER AND WHITEWASH

1. Background to and reasons for the Takeover Panel Waiver and Whitewash

1.1 Issuance and distribution of Consideration Shares

It is anticipated that, immediately following Completion, Harbour North Sea, as the largest shareholder of Chrysaor, together with its concert parties, as determined in accordance with the Takeover Code, will hold up to 40.42 per cent. of the Ordinary Shares of the Combined Group (depending on take up by Senior Creditors and Senior XCCY Hedge Counterparties of the Partial Cash Alternative and assuming no subscription by the Restructuring Plan Creditors for the Top-Up Election). However, as the allocation of Consideration Shares among Chrysaor Shareholders, including Harbour North Sea together with its concert parties, will depend on the value of those Consideration Shares in the period up to Completion, the maximum holding of the Concert Party could be 45.14 per cent. of the Enlarged Share Capital, assuming full take up of the Partial Cash Alternative, no subscription of the Top-Up Election and the exercise in full of the Buyback Authority over the Ordinary Shares not held by members of the Concert Party. As a consequence, since this exceeds the 30 per cent. trigger for a mandatory offer under the Takeover Code, the Merger is also conditional on a Rule 9 whitewash waiver from the Takeover Panel in order to disapply mandatory offer requirements. This Rule 9 Waiver will require approval by Premier's independent shareholders at the General Meeting.

Harbour North Sea's shares will be subject to a twelve-month lock-up from completion and a further 365 day orderly marketing covenant. Shares held by certain Chrysaor minority shareholders will be subject to a six-month lock-up from completion and an orderly marketing covenant.

1.2 Rule 9 of the Takeover Code

Rule 9 of the Takeover Code is designed to prevent the acquisition of control of a company to which the Takeover Code applies by any person without a general cash offer being made to all shareholders of that company.

Under Rule 9 of the Takeover Code, (i) when any person acquires, whether by a single transaction or a series of transactions over a period of time an interest in shares (as defined in the Takeover Code) which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company that is subject to the Takeover Code, or (ii) where any person is interested in shares (as defined in the Takeover Code) which (taken together with shares in which persons acting in concert with that/him are interested) carry 30 per cent. or more of the voting rights of a company that is subject to the Takeover Code but does not hold shares carrying more than 50 per cent. of such voting rights, increases the percentage of shares carrying voting rights in which he and any person acting in concert with him are interested, that person is normally obliged (except with the consent of the Takeover Panel) to make a general cash offer to all the remaining shareholders of the company to acquire their equity shares and transferable securities carrying voting rights in the company.

An offer under Rule 9 of the Takeover Code must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares in the company during the 12 months before the announcement of the offer.

However, where the obligation to make a mandatory offer under Rule 9 of the Takeover Code might arise following an issue of new shares, the Takeover Panel normally will consent to a waiver of that obligation provided that, among other things, this is approved by a vote of independent shareholders and a procedure along the lines of that set out in Appendix 1 to the Takeover Code is followed.

Under Rule 37 of the Takeover Code, when a company purchases its own voting shares, any resulting increase in the percentage of shares carrying voting rights in which a person or group of persons acting in concert is interested will be treated as an acquisition for the purposes of Rule 9 of the Takeover Code (although a shareholder who is neither a director nor acting in concert with a director normally will not incur an obligation to make a Rule 9 offer).

1.3 The Concert Parties

Pursuant to the Takeover Code, a "concert party" arises when persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of that company. Under the Takeover Code, "control" means an interest or interests in shares carrying in aggregate 30 per cent. or more of the voting rights of a company, irrespective of whether such interest or interests give *de facto* control.

The Takeover Panel applies a presumption that the vendors of a private company are acting in concert when the private company is sold to a company subject to the Takeover Code and they receive, as consideration, shares in that public company, unless the contrary is established. This is because the Takeover Panel considers that the vendors of the private company are considered likely to have co-operated together both in becoming shareholders in the private company and in agreeing a sale of the private company to the Takeover Code company; and also that they are likely to continue to co-operate together once they become shareholders in the Takeover Code company.

Applying this presumption, all of those Chrysaor Shareholders immediately prior to Completion would be presumed to be acting in concert with Harbour North Sea and each other. However, Premier has agreed with the Takeover Panel that, for the purposes of the Takeover Code, a number of those Chrysaor Shareholders should not be considered part of the Concert Party. The members of the Concert Party, their respective expected holdings following Completion and Admission, and details of the reason for their membership of the Concert Party are set out in paragraph 2 below.

1.4 Rule 9 waiver in respect of the mandatory offer obligation arising upon completion of the Merger in relation to the interest in Premier shares

As a result of the issue of Consideration Shares to Chrysaor Shareholders upon Completion, Harbour North Sea will hold over 30 per cent. of the voting rights of Premier and a mandatory offer normally would be required to be made by the Concert Party under Rule 9 of the Takeover Code.

Premier has agreed with the Takeover Panel, however, that subject to the Whitewash Resolution being passed on a poll by independent Premier Shareholders at the General Meeting, it will waive the requirement under Rule 9 of the Takeover Code for a mandatory offer to be made by the Concert Party for the Ordinary Shares not already owned by the Concert Party as a result of Completion and the issue of the Consideration Shares.

1.5 Rule 9 waiver in respect of the mandatory obligation arising following a buyback of Premier Shares

At the annual general meeting ("**AGM**") of Premier held on 25 June 2020, the Shareholders approved the authority for Premier to repurchase Ordinary Shares representing up to ten per cent. of the issued ordinary share capital at the time the AGM notice was published (the "**Buyback Authority**"). If the Buyback Authority is utilised after completion of the Merger, except with the consent of the Takeover Panel, the Concert Party would be obliged to make a general offer to all the remaining Premier Shareholders to acquire their Ordinary Shares as a result of the increase in their respective Premier shareholdings.

Premier has agreed with the Takeover Panel, however, that subject to the Whitewash Resolution being passed on a poll by independent Premier Shareholders at the General Meeting, it will waive the requirement under Rule 9 of the Takeover Code for a mandatory offer to be made by Harbour North Sea and the Concert Parties for the Ordinary Shares not already owned by Harbour North Sea as a result of Premier exercising its Buyback Authority.

1.6 The Whitewash Resolution

Premier therefore proposes that the independent Premier Shareholders approve the Takeover Panel's waiver of any obligation on Harbour North Sea and the Concert Parties to make a mandatory offer under Rule 9 of the Takeover Code arising as a result of the issue of the Consideration Shares at completion of the Merger as set out above and/or any buyback pursuant to the Buyback Authority.

It is proposed that the independent Premier Shareholders approve the Whitewash Resolution, taken on a poll at the General Meeting, as further set out in the Notice of General Meeting.

All the Merger, Whitewash and Debt Restructuring Resolutions must be passed for the Merger to be implemented. All Resolutions will be taken on a poll.

In the event the Whitewash Resolution is passed, the Concert Party will not be restricted from making an offer for Premier under the Takeover Code, but will be restricted from making an offer for

Premier until Completion pursuant to the Merger Agreement, and for a period of 24 months following Completion, pursuant to the Standstill Agreement (see paragraph 5.3 of Part VIII (*Additional Information*) below).

The Takeover Panel's waiver will be invalidated if any purchases of Ordinary Shares are made by any member of the Concert Party, or any person acting in concert with it, in the period between the date of this document and the General Meeting.

2. Concert Party

The Concert Party is made up of certain of the Chrysaor Shareholders immediately prior to Completion. These Chrysaor Shareholders comprise Harbour North Sea and other entities within the Harbour Group, certain Harbour Group directors and officers and certain current and former EIG employees as further set out below.

2.1 Harbour

Harbour Energy, LP ("**Harbour LP**") is a global energy investment vehicle managed by EIG Global Energy Partners ("**EIG**"). Harbour LP's objective is to build a portfolio of successful, long term energy businesses, with a focus on opportunities outside of the United States. EIG specialises in private investments across the capital structure of energy and energy-related infrastructure projects and companies throughout the energy value chain on a global basis. As at 30 June 2020, EIG had assets under management of US$22.9 billion. Since 1982, EIG has invested over US$34.2 billion through more than 363 projects across 36 countries on six continents.

Harbour LP is the vehicle in which all limited partners make their investment in the Harbour Group. The general partner of Harbour LP is Harbour Energy GP, Ltd. ("**Harbour GP**"), an entity owned by EIG Asset Management, LLC ("**EIG AM**"), an SEC registered investment advisor.

Harbour North Sea is an indirect subsidiary of Harbour LP. Harbour North Sea is incorporated in the Cayman Islands and will hold up to 44.44 per cent. of the Enlarged Issued Share Capital post-Admission.

Harbour North Sea's immediate parent company is Harbour Direct Holdings Limited ("**Harbour Direct Holdings**"), which is the main operating entity in the Harbour Group.

EIG Harbour Energy Advisor, LP ("**Harbour Advisor**") is the investment manager of Harbour Direct Holdings. Harbour Advisor is an SEC registered investment advisor, and provides investment recommendations to the Harbour Direct Holdings board of directors.

Harbour Direct Holdings is held through a series of special purpose vehicles by Harbour Energy Holdings, Ltd. ("**Harbour Holdings**"). Harbour Holdings is a holding company, owned in turn by officers and directors of Harbour Direct Holdings, Harbour Advisor and Harbour LP.

For the purposes of the Takeover Code, all of Harbour Direct Holdings, Harbour Advisor, Harbour Holdings, Harbour LP and Harbour GP and other subsidiaries of Harbour LP are assumed to be acting in concert with Harbour North Sea in respect of the Merger.

2.2 EIG

Harbour Energy Investments, LP ("**Investments LP**") is a limited partner in Harbour LP, and is the entity through which EIG holds its interest in Harbour LP. The general partner of Investments LP is EIG AM.

EIG Swift Co-Investment, LP ("**Co-Invest LP**") is another investment vehicle managed by EIG. The general partner of Co-Invest LP is EIG Swift Co-Investment GP, Ltd. ("**Co-Invest GP**"), which is owned by EIG AM.

For the purposes of the Takeover Code, all of EIG, Investments LP, Co-Invest LP and Co-Invest GP are assumed to be acting in concert with Harbour North Sea in respect of the Merger.

Blair Thomas is a director of Harbour GP and CEO of EIG, and from Completion, will be appointed as a non-executive director and Chairman of the Board.

Randall Wade is a director of Harbour GP and President of EIG.

2.3 EIG former and current employees

Prior to Completion, the assets of Co-Invest LP will be distributed to its limited partners and Co-Invest GP in proportion to their respective percentage interests in the partnership. This will result in the former Co-Invest LP investors and Co-Invest GP becoming Chrysaor Shareholders immediately prior to Completion. Some of the Co-Invest LP investors are former and current employees of EIG, who were given the opportunity to invest in Co-Invest LP by virtue of their employment.

For the purposes of the Takeover Code, those EIG former and current employees who will be Chrysaor Shareholders immediately prior to Completion are assumed to be acting in concert with Harbour North Sea in respect of the Merger.

2.4 Harbour officers and directors

Linda Cook is the Chief Executive Officer (CEO) of Harbour Direct Holdings and a Managing Director at EIG. From Completion, Linda Cook will be CEO of the Combined Group. Linda Cook's biography is set out in the Prospectus.

Terence Jupp is the Chief Operating Officer of Harbour Direct Holdings and a Managing Director at EIG.

Steven Farris is a director of Harbour Direct Holdings and a Harbour nominee on the Chrysaor board of directors. From Completion, Steven Farris will be appointed as a non-executive director to the Board.

A number of other directors of Harbour Direct Holdings and former directors of Harbour Holdings will also hold shares in the Combined Group, by virtue of their interests in the Harbour Group held by virtue of their employment.

For the purposes of the Takeover Code, the Harbour directors and officers listed above are assumed to be acting in concert with Harbour North Sea in respect of the Merger.

2.5 Details on Harbour North Sea

Harbour North Sea's directors are:

- Jean-Daniel Borgeaud; and
- Vahid Farzad.

Harbour Direct Holdings' directors are:

- James Blackwell;
- Robert Blair Thomas;
- Linda Cook;
- James Dubow;
- Steven Farris;
- Greg Hill; and
- Garrett Soden.

3. Holdings in the Combined Group by the Concert Party following Admission

Members of the Concert Party and their respective expected holdings following Admission in a number of different scenarios are set out below:

	Ordinary Shares held immediately after Admission assuming the price of the Ordinary Shares on the Latest Practicable Date and no take up of the Partial Cash Alternative by Restructuring Plan Creditors[1]		*Ordinary Shares held immediately after Admission assuming the price of the Ordinary Shares on the Latest Practicable Date, full take up of the Partial Cash Alternative and no subscription for the Top-Up Election and full take up of New Equity Warrants by Senior Creditors and Senior XCCY Hedge Counterparties*[1]		*Ordinary Shares held immediately after Admission assuming a 5 day volume weighted average price of the Ordinary Shares, ending on the date which is 5 Business Days before Completion, of 0p, full take up of the Partial Cash Alternative and no subscription for the Top-Up Election and full take up of New Equity Warrants by Senior Creditors and Senior XCCY Hedge Counterparties*[1]		*Ordinary Shares held after Admission and following exercise of Buyback Authority and assuming a 5 day volume weighted average price of the Ordinary Shares, ending on the date which is 5 Business Days before Completion, of 0p, full take up of the Partial Cash Alternative and no subscription for the Top-Up Election and full take up of New Equity Warrants by Senior Creditors and Senior XCCY Hedge Counterparties*[1]	
Concert Party member	*Number of Ordinary Shares*	*Percentage of Enlarged Issued Share Capital*	*Number of Ordinary Shares*	*Percentage of Enlarged Issued Share Capital*	*Number of Ordinary Shares*	*Percentage of Enlarged Issued Share Capital*	*Number of Ordinary Shares*	*Percentage of Enlarged Issued Share Capital*
Harbour North Sea Holdings Ltd[2]	6,755,564,813	36.50%	6,755,564,813	39.78%	7,506,298,420	44.20%	7,506,298,420	44.44%
EIG Harbour Energy Advisor, LP[2]	44,375,971	0.24%	44,375,971	0.26%	49,307,392	0.29%	49,307,392	0.29%
Harbour Energy Investments, LP[2]	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Harbour Energy GP, Ltd.[2]	7,162	0.00%	7,162	0.00%	7,958	0.00%	7,958	0.00%
FIG Swift Co-Investment GP, Ltd[2]	136,146	0.00%	136,146	0.00%	151,276	0.00%	151,276	0.00%
EIG former and current employees	19,877,304	0.11%	19,877,304	0.12%	22,086,232	0.13%	22,086,232	0.13%
Harbour officers and directors	1,883,213	0.01%	1,883,213	0.01%	1,820,467	0.01%	1,820,467	0.01%
Linda Z. Cook	38,905,053	0.21%	38,905,053	0.23%	43,228,501	0.25%	43,228,501	0.26%
Terence B. Jupp	1,361,459	0.01%	1,361,459	0.01%	1,512,756	0.01%	1,512,756	0.01%
Steven G Farris	2,169,314	0.01%	2,169,314	0.01%	272,023	0.00%	272,023	0.00%
TOTAL	6,864,280,435	37.09%	6,864,280,435	40.42%	7,624,685,025	44.89%	7,624,685,025	45.14%

(1) Assuming no further Ordinary Shares issued or sold since Admission.

(2) The registered office for all of the entities in the Concert Party is c/o Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, George Town, Grand Cayman, KY1-111, Cayman Islands. This does not apply to those members of the Concert Party who are individuals.

The holding of the Concert Party will be 6,864,280,435 Ordinary Shares in the Combined Group, representing approximately 40.42 per cent. of the Enlarged Issued Share Capital. This is based on the following assumptions:

(A) completion of the Merger (resulting in the issue of the New Ordinary Shares);

(B) full take up of the Partial Cash Alternative and no subscription for the Top-Up Election by Senior Creditors and Senior XCCY Hedge Counterparties;

(C) full take up of New Equity Warrants by Restructuring Plan Creditors (but no exercise over those New Equity Warrants);

(D) there being no other issue of Ordinary Shares; and

(E) the price of the Ordinary Shares being the same as that on the Latest Practicable Date.

Finally, the allocation of Consideration Shares among Chrysaor Shareholders will depend on the value of those Consideration Shares in the period up to Completion. The 5 day volume weighted average price of an Ordinary Share, ending on the date which is 5 Business Days before Completion, will be used to determine the value of the Consideration Shares required to satisfy the Chrysaor loan notes, 100 per cent. of which are held by Harbour Chrysaor Equity Holdings Limited. As such, as the price per Ordinary Share reduces, so the proportion of the Consideration Shares issued to the Concert Party increases to settle the Chrysaor loan note liability, with a resultant reduction in the proportion of Consideration Shares issued to the other Chrysaor Shareholders. Accordingly, the maximum possible holding of the Concert Party could be 7,624,685,025 Ordinary Shares in the Combined Group. This would represent approximately 45.14 per cent. of the Enlarged Issued Share Capital on the following assumptions:

(A) completion of the Merger (resulting in the issue of the New Ordinary Shares);

(B) full take up of the Partial Cash Alternative and no subscription for the Top-Up Election by Senior Creditors and Senior XCCY Counterparties;

(C) full take up of New Equity Warrants by Restructuring Plan Creditors (but no exercise over those New Equity Warrants);

(D) there being no other issue of Ordinary Shares;

(E) exercise by Premier in full of the Buyback Authority over the Ordinary Shares not held by members of the Concert Party; and

(F) a 5 day volume weighted average price of the Ordinary Shares, ending on the date which is 5 Business Days before Completion, of 0p.

4. Intentions of the Concert Party

The background to and reasons for the Merger are set out above in paragraph 2 of Part I (*Letter from the Chairman of Premier*).

As set out in the announcement on 6 October 2020 and as referred to above at paragraph 2.4 of this Part V (*Details of the Takeover Panel Rule 9 Waiver and whitewash*), Linda Cook will be CEO of the Combined Group. Phil Kirk (current CEO of Chrysaor) will be President of the Combined Group and CEO of Europe. As referred to above at paragraphs 2.2 and 2.4 of this this Part V (*Details of the Takeover Panel Rule 9 Waiver and whitewash*), Blair Thomas and Steven Farris, along with Simon Henry and Anne Stevens, will each be appointed to the Board as non-executive directors from Completion. Blair Thomas will be appointed as Chairman and Simon Henry will be appointed as Senior Independent Director. Anne Marie Cannon, an existing Director, will continue to serve as a non-executive director, with each of the remaining Directors expected to resign from Completion.

Further, as set out above in paragraph 1.4 of Part I (*Letter from the Chairman of Premier*), as Harbour North Sea will be deemed a controlling shareholder for the purposes of the Listing Rules, it will enter into the Relationship Agreement with Premier prior to Completion (but conditional on Admission). Consistent with the Relationship Agreement, for so long as Harbour North Sea (together with its associates) holds at least 25 per cent. of the Ordinary Shares, it will be entitled to nominate two non-executive directors to the Board. One of those nominees will be the Chairman. In accordance with terms of the Relationship Agreement, Harbour North Sea is otherwise bound to act in a way as to maintain the independence of Premier. Furthermore, The Combined Group will have a constitution that allows for the election and re-election of independent directors to be conducted in accordance with the election provisions set out in Listing Rules 9.2.2ER and 9.2.2FR

As stated at paragraphs 3.1 and 3.3 of Part I (*Letter from the Chairman of Premier*), Premier and Chrysaor intend to undertake an integration review and expect savings to be generated through the elimination of duplicate activities in corporate functions, redundant office locations, and efficiencies with respect to other areas of corporate expense such as IT, hedging and insurance. Other than the integration pursuant to the Merger and the changes to the Board set out above, the Concert Party has confirmed that it has no intention to make any changes in relation to:

(a) the future business of Premier, including its intentions for any research and development functions of Premier;

(b) the continued employment of the employees and management of Premier and its subsidiaries, including any material change in the conditions of employment or in the balance of the skills and functions of the employees and management;

(c) the strategic plans of Premier, and their likely repercussions on employment and on the locations of Premier's places of business, including on the location of Premier's headquarters and headquarters functions;

(d) employer contributions into Premier's pension scheme(s) (including with regard to current arrangements for the funding of any scheme deficit), the accrual of benefits for existing members, and the admission of new members;

(e) any redeployment of the fixed assets of Premier; or

(f) the continuation of the Ordinary Shares being admitted to trading on the London Stock Exchange's main market for listed securities.

In accordance with Rule 16.2(a) of the Takeover Code, the Concert Party confirms that no incentivisation arrangements are proposed for Premier's management.

5. Financial Information

Harbour North Sea is not required under the laws of the Cayman Islands to make its accounts publicly available and, accordingly, Harbour North Sea is not providing details of its historical financial information in this document.

Harbour Direct Holding's accounts are incorporated by reference and are available on Harbour's website at https://find-and-update.company-information.service.gov.uk/company/11718037/filing-history.

Harbour North Sea currently prepares consolidated financial statements that include the earnings, assets and liabilities of Chrysaor. After Completion, Harbour North Sea will no longer consolidate the financials of Chrysaor and there is expected to be a corresponding decrease in earnings, assets and liabilities.

No ratings agency has publicly accorded any current credit rating or outlook to Harbour North Sea or Premier.

6. Middle market quotation of Premier shares

Set out below are the middle market quotations for an Ordinary Share as derived from the Daily Official List of the London Stock Exchange, for the first Business Day of each of the six months set out below and for the Latest Practicable Date:

Date	*Price per Ordinary Share (pence)*
Latest Practicable Date	21.60
1 December 2020	20.33
2 November 2020	11.41
1 October 2020	15.70
1 September 2020	20.87
3 August 2020	34.91
1 July 2020	50.10

7. Irrevocable Undertakings

The Directors of the Company have provided irrevocable undertakings in favour of the Harbour/ Chrysaor Parties, to vote in favour of the Merger, Whitewash and Debt Restructuring Resolutions to be proposed at the General Meeting in their capacity as Shareholders. These irrevocable undertakings cover, in aggregate, approximately 0.06 per cent. of the Company's outstanding shares as the Latest Practicable Date. The Ordinary Shares covered by these irrevocable undertakings are as follows:

Shareholder	*Shares*
Dave Blackwood	10,000
Anne Marie Cannon	10,000
Roy A Franklin	60,000
Iain Macdonald	23,076
Elisabeth Proust	10,000
Richard Rose	419,492
Mike Wheeler	30,000

These irrevocables will cease to be binding if either: (i) the Merger Agreement is terminated; or (ii) the Merger and Debt Restructuring has not completed by the Long-Stop Date.

PART VI – UNAUDITED *PRO FORMA* FINANCIAL INFORMATION

SECTION A

UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF THE COMBINED GROUP

Basis of preparation

The unaudited *pro forma* statement of net assets and *pro forma* income statement (together the "**Unaudited *Pro Forma* Financial Information**") of the Combined Group set out below has been prepared in accordance with Annex 20 of the Commission Delegated Regulation (EU) 2019/980.

The unaudited *pro forma* statement of net assets has been prepared to illustrate the effect on the consolidated net assets of Premier as at 30 June 2020 as if the Merger and the Debt Restructuring had each taken place on 30 June 2020.

The unaudited *pro forma* income statement has been prepared to illustrate the effect on the consolidated earnings of Premier for the six month period ended 30 June 2020 as if the Merger and Debt Restructuring had each taken place on 1 January 2020.

The Unaudited *Pro Forma* Financial Information has been prepared for illustrative purposes only. The hypothetical financial position or results included in the Unaudited *Pro Forma* Financial Information may differ from the Combined Group's actual financial position or results.

The Unaudited *Pro Forma* Financial Information has been prepared on the basis set out in the notes below and has been prepared in a manner consistent with the accounting policies that will be applied by the Combined Group for the year ending 31 December 2020 and in accordance with the requirements of sections 1 and 2 of Annex 20 of Commission Delegated Regulation (EU) 2019/980.

The Unaudited *Pro Forma* Financial Information does not constitute financial statements within the meaning of section 434 of the Companies Act 2006. Ernst and Young LLP's accountant's report on the Unaudited *Pro Forma* Financial Information is set out in Section B of this Part VI.

Unaudited *Pro Forma* Statement of Net Assets of the Combined Group as at 30 June 2020

			Adjustments				
	Premier 30 June 2020 (US$ million)	*Chrysaor 30 June 2020 (US$ million)*	*Acquisition Adjustment (US$ million)*	*Debt Restructuring and New RBL Facility (US$ million)*	*Conversion of Loan Notes to equity (US$ million)*	*Transaction costs/LTIP/ Other (US$ million)*	*Unaudited pro forma Combined Group net assets (US$ million)*
Note	*1*	*2*	*3*	*4*	*5*	*6*	
Non-current assets:							
Goodwill	**240.8**	**1,343.6**	—	—	—	—	**1,584.4**
Other intangible assets	**742.8**	**492.1**	—	—	—	—	**1,234.9**
Property, plant and equipment	**1,745.6**	**6,519.3**	—	—	—	—	**8,264.9**
Right of use assets	**561.3**	**144.0**	—	—	—	—	**705.3**
Investments	**—**	**—**	—	—	—	—	**—**
Other receivables	**230.4**	**2.9**	—	—	—	—	**233.3**
Other financial assets	—	**313.5**	—	—	—	—	**313.5**
Deferred tax assets	**1,199.1**	**—**	—	—	—	—	**1,199.1**
	4,720.0	**8,815.4**	—	—	—	—	**13,535.4**
Current assets:							
Inventories	**13.3**	**153.0**	—	—	—	—	**166.3**
Trade and other receivables	**277.4**	**269.4**	—	—	—	—	**546.8**
Other financial assets	**130.9**	**614.4**	—	—	—	—	**745.3**
Cash and cash equivalents	**139.7**	**369.4**	(61.2)	—	(166.0)	(57.8)	**224.1**
	561.3	**1,406.2**	(61.2)	—	(166.0)	(57.8)	**1,682.5**
Total Assets	**5,281.3**	**10,221.6**	**(61.2)**	—	**(166.0)**	**(57.8)**	**15,217.9**
Current liabilities:							
Trade and other payables	**(394.2)**	**(556.1)**	—	—	—	—	**(950.3)**
Borrowings	**(2,101.8)**	**(11.9)**	52.2	2,049.5	—	—	**(12.0)**
Lease creditor	**(92.8)**	**(53.8)**	—	—	—	—	**(146.6)**
Current tax liabilities	**(202.9)**	—	—	—	—	—	**(202.9)**
Provisions	**(93.7)**	**(206.7)**	—	—	—	—	**(300.4)**
Other financial liabilities	**(151.0)**	**(0.1)**	—	141.0	—	—	**(10.1)**
Deferred income	**(15.6)**	**—**	—	—	—	—	**(15.6)**
	(2,849.1)	**(1,031.5)**	52.2	2,190.5	—	—	**(1,638.0)**
Net Current Assets	**(2,287.8)**	**374.7**	**(9.0)**	**2,190.5**	**(166.0)**	**(57.8)**	**44.6**
Non-current liabilities:							
Borrowings	**—**	**(2,170.2)**	—	(1,405.0)	283.0	—	**(3,292.2)**
Provisions	**(1,171.7)**	**(3,368.4)**	—	—	—	—	**(4,540.1)**
Deferred tax	**(114.9)**	**(1,564.8)**	—	—	—	—	**(1,679.7)**
Trade and other payables	—	**(46.4)**	—	—	—	—	**(46.4)**
Lease creditor	**(607.3)**	**(96.4)**	—	—	—	—	**(703.7)**
Other financial liabilities	—	**(14.5)**	—	—	—	—	**(14.5)**
Deferred income	**(48.1)**	**—**	—	—	—	—	**(48.1)**
	(1,942.0)	**(7,260.7)**	—	(1,405.0)	283.0	—	**(10,324.7)**
Total Liabilities	**(4,791.1)**	**(8,292.2)**	**52.2**	**785.5**	**283.0**	—	**(11,967.7)**
Net Assets	**490.2**	**1,929.4**	**(9.0)**	**785.5**	**117.0**	**(57.8)**	**3,255.3**

Unaudited *Pro Forma* Income Statement of the Combined Group for the six months ended 30 June 2020

			Adjustments				
	Premier Half year period ended 30 June 2020 (US$ million)	*Chrysaor Half year period ended 30 June 2020 (US$ million)*	*Acquisition Accounting Adjustment (US$ million)*	*Debt Restructuring and New RBL Facility (US$ million)*	*Conversion of Loan Notes to equity (US$ million)*	*Transaction costs/LTIP/ Other (US$ million)*	*Unaudited pro forma Combined Group results*
Note	*1*	*2*	*3*	*4*	*5*	*6*	
Continuing operations							
Revenue	530.6	1,230.1	—	—	—	—	1,760.7
Other income	1.0	13.5	—	—	—	—	14.5
Revenue and other income	**531.6**	**1,243.6**	—	—	—	—	1,775.2
Costs of Sales	(405.6)	(1,018.0)	—	—	—	—	(1,423.6)
Gross Profit	**126.0**	**225.6**	—	—	—	—	351.6
Impairment of property, plant and equipment	(79.6)	(250.7)	—	—	—	—	(330.3)
Impairments of goodwill	—	(55.7)	—	—	—	—	(55.7)
Negative goodwill on acquisition	—	—	214.4	—	—	—	214.4
Provision for onerous service contracts	—	(27.9)	—	—	—	—	(27.9)
Exploration and evaluation expense	(19.9)	(4.2)	—	—	—	—	(24.1)
Exploration costs written-off	(222.2)	(38.9)	—	—	—	—	(261.1)
Re-measurements	—	0.5	—	—	—	—	0.5
Profit on disposal of non-current assets	0.6	—	—	—	—	—	0.6
General and administration costs	(4.2)	(29.2)	—	—	—	(57.8)	(91.2)
Operating Profit	**(199.3)**	**(180.5)**	**214.4**	—	—	**(57.8)**	**(223.2)**
Interest revenue, finance and other gains	31.4	105.1	—	—	—	—	136.5
Finance costs, other finance expenses and losses	(166.9)	(148.8)	—	54.6	—	—	(261.1)
Profit / (loss) before tax from continuing operations	**(334.8)**	**(224.2)**	**214.4**	**54.6**	**—**	**(57.8)**	**(347.8)**
Tax	(336.7)	69.7	—	—	—	—	(267.0)
Profit / (loss) after tax	**(671.5)**	**(154.5)**	**214.4**	**54.6**	—	**(57.8)**	**(614.8)**

Notes:

(1) The net assets of Premier as at 30 June 2020 and the income statement for the six month period ended 30 June 2020 have been extracted without material adjustment from the unaudited interim consolidated financial statements of Premier for the six month period ended 30 June 2020, incorporated by reference in in section 1 of Part V (*Operating and Financial Review relating to the Premier Group*) the Prospectus.

No accounting policy differences have been identified between the unaudited interim consolidated financial statements of Premier for the six month period ended 30 June 2020 and the historical financial information of Chrysaor for the six month period ended 30 June 2020, however differences in the presentation of certain line items have been identified. As the Combined Group will adopt Chrysaor's financial presentation, certain of Premier's net asset and income statement line items have been reclassified to be consistent with Chrysaor's line item classification. A reconciliation of the reclassification differences is set out below:

Unaudited reconciliation of Premier's consolidated net assets under Chrysaor's balance sheet presentation as at 30 June 2020

Statement of net assets line items – Premier	*Premier as at 30 June 2020 as reported (a) (US$ million)*	*Reclassifications (b) (US$ million)*	*Premier's statement of net assets under the statement of net assets presentation of Chrysaor as at 30 June 2020 (c) (US$ million)*	*Statement of net assets line items – Chrysaor (c)*
Non-current assets:				**Non-current assets:**
Goodwill	240.8	—	240.8	Goodwill
Intangible exploration and evaluation assets	742.8	—	742.8	Other intangible assets
Property, plant and equipment	2,306.9	(561.3)	1,745.6	Property, plant and equipment
		561.3	561.3	Right of use assets
		—	—	Investments
Long-term receivables	230.4	—	230.4	Other receivables
		—	—	Other financial assets
Deferred tax assets	1,199.1	—	1,199.1	Deferred tax assets
Current assets:	**4,720.0**	**—**	**4,720.0**	**Current assets:**
Inventories	13.3	—	13.3	Inventories
Trade and other receivables	277.4	—	277.4	Trade and other receivables
Derivative financial instruments	130.9	—	130.9	Other financial assets
Cash and cash equivalents	139.7	—	139.7	Cash and cash equivalents
	561.3	**—**	**561.3**	
Total assets	**5,281.3**	—	**5,281.3**	**Total Assets**
				Current liabilities:
Current liabilities:				
Trade and other payables	(394.2)	—	(394.2)	Trade and other payables
Borrowings	(2,101.8)	—	(2,101.8)	Borrowings
Lease liabilities	(138.5)	—	(138.5)	Lease creditor
		—	—	Current tax liabilities
Short term provisions	(93.7)	—	(93.7)	Provisions
Derivative financial instruments	(151.0)	—	(151.0)	Other financial liabilities
Deferred income	(15.6)	—	(15.6)	Deferred income
	(2,894.8)	—	**(2,894.8)**	
Net current assets	**(2,333.5)**	—	**(2,333.5)**	**Net Current Assets**
Non-current liabilities:				**Non-current liabilities:**
Borrowings	–	—	—	Borrowings
Long-term provisions	(1,171.7)		(1,171.7)	Provisions
Deferred tax liabilities	(114.9)	—	(114.9)	Deferred tax
		—	—	Trade and other payables
Lease liabilities	(561.6)	—	(561.6)	Lease creditor
		—	—	Other financial liabilities
Deferred income	(48.1)	—	(48.1)	Deferred income
	(1,896.3)	—	**(1,896.3)**	
Total liabilities	**(4,791.1)**	—	**(4,791.1)**	**Total Liabilities**
Net assets	**490.2**	**—**	**490.2**	**Net Assets**

Unaudited reconciliation of Premier's consolidated income statement under Chrysaor's income statement presentation for the six month period ended 30 June 2020

Income statement line items – Premier **Continuing operations**	*Premier for the six months ended 30 June 2020 as reported (a) (US$ million)*	*Reclassifications (b) (US$ million)*	*Premier's income statement under the income statement presentation of Chrysaor for the six months ended 30 June 2020 (c) (US$ million)*	*Income statement line items – Chrysaor (c)* **Continuing operations**
Sales revenues	530.6	—	530.6	Revenue
Other operating (costs)/income	1.0	—	1.0	Other income
		—	**531.6**	**Revenue and other income**
Costs of operation	(175.0)	(230.6)	(405.6)	Cost of Sales
			126.0	**Gross profit**
Depreciation, depletion, amortisation and impairment	(310.2)	230.6	(79.6)	Impairment of property, plant and equipment
		—	—	Impairments of goodwill
		—	—	Negative goodwill on acquisition
		—	—	Provision for onerous service contracts
Exploration expense and pre-licence cost	(242.1)	222.2	(19.9)	Exploration and evaluation expense
		(222.2)	(222.2)	Exploration costs written-off
		—	—	Re-measurements
Profit on disposal of non-current assets	0.6	—	0.6	Profit on disposal of non-current assets
General and administration costs	(4.2)	—	(4.2)	General and administration costs
Operating Profit	**(199.3)**	—	**(199.3)**	**Operating Profit**
Interest revenue, finance and other gains	31.4	—	31.4	Interest revenue, finance and other gains
Finance costs, other finance expenses and losses	(166.9)	—	(166.9)	Finance costs, other finance expenses and losses
Profit / (loss) before tax from continuing operations	**(334.8)**	**—**	**(334.8)**	**Profit / (loss) before tax from continuing operations**
Tax (charge) / credit	(336.7)	—	(336.7)	Tax
Profit / (loss) from continuing operations	**(671.5)**	**—**	**(671.5)**	**Profit / (loss) after tax**

Notes:

a) The Premier net asset and income line items have been extracted without material adjustment from the unaudited interim consolidated financial statements of Premier for the six month period ended 30 June 2020, incorporated by reference in section 1 of Part V (*Operating and Financial Review relating to the Premier Group*) of the Prospectus.

b) The following reclassifications were made to reflect the difference in accounting presentation under Chrysaor's presentation as opposed to that of Premier:

i. Right of use assets have been reclassified from Property, Plant and Equipment ("**PP&E**") and have been presented as a separate line item within the statement of net assets.

ii. Depreciation, depletion and amortisation of Premier's PP&E assets have been separated from the impairment charge and combined with Costs of Operation and presented in aggregate as Costs of Sales within the income statement.

iii. Exploration costs written-off have been reclassified from Exploration and pre-licence costs and have been presented as a separate line item within the income statement. Remaining costs within Exploration and pre- licence costs have been renamed as Exploration and evaluation expense, in line with Chrysaor's naming convention.

c) The names of certain financial statement line items have been changed to align with Chrysaor's naming convention. Except as noted in (b) above there are no other changes to these line items other than alignment of naming conventions.

(2) The net assets of Chrysaor as at 30 June 2020 and the income statement for the six months ended 30 June 2020 have been extracted from the historical financial information of Chrysaor for the six months ended 30 June 2020, which have been prepared in accordance with the IFRS as adopted by the EU and Premier's accounting policies, and are set out in Part VII (*Historical financial information relating to the Chrysaor Group*) of this document.

(3) The unaudited *pro forma* statement of net assets has been prepared on the basis that the Merger will be treated as a business combination in accordance with IFRS 3 *Business Combinations*. However, it does not reflect any fair value adjustments to the acquired assets and liabilities, except for those discussed in paragraph 3(iii) below, as the fair value measurement of these

items will only be performed as at the date of completion of the Merger. The fair value adjustments, when finalised, may be material.

For the purposes of the Unaudited *Pro Forma* Financial Information, it has been assumed that the Merger will represent a reverse acquisition under the requirements of IFRS 3 and that, from an accounting perspective, Premier will be the legal acquirer and accounting acquiree and Chrysaor will be the legal acquiree and accounting acquirer.

Estimated purchase consideration and related excess purchase consideration over book value of net assets acquired are as follows:

	(US$ million)	*(US$ million)*
Estimated purchase consideration		
Premier shares currently in issue to existing shareholders (i)	266.8	
Estimated purchase consideration		*266.8*
Less carrying value of net assets acquired as at 30 June 2020		
Premier net assets (excluding borrowings and cross currency swap liabilities) (ii)	2,732.9	
Premier borrowings and cross currency swap liabilities at fair value (iii)	(2,190.5)	
Premier transaction costs incurred in relation to the Merger and Debt Restructuring (iv)	(61.2)	
Adjusted net assets acquired		*481.2*
Negative goodwill credited to income statement (v)		**214.4**

(i) In accordance with IFRS 3 as it applies to reverse acquisitions, the consideration for Premier's net assets is calculated as 925.5 million Ordinary Shares at a closing price of 21.6 pence on 14 December 2020, being the Latest Practicable Date, at a foreign exchange rate of GBP:USD 1.3346.

(ii) The value of Premier net assets of US$2,732.9 million is calculated by excluding the carrying values of US$2,101.7 million of borrowings and US$141.0 million of cross currency swap liabilities which are subject to the Debt Restructuring from the US$490.2 million of Premier net assets as at 30 June 2020.

(iii) This amount reflects Premier's borrowings and cross currency swap liabilities, which are the subject to the Debt Restructuring, at the value of consideration the Restructuring Plan Creditors will receive in satisfaction of these liabilities. Under the agreed Debt Restructuring terms, Premier's existing creditors will receive a cash payment of approximately US$1,230.0 million and a maximum of 3,331.9 million Ordinary Shares at a closing price of 21.6 pence on 14 December 2020, being the Latest Practicable Date, at a foreign exchange rate of GBP:USD 1.3346 in satisfaction of part of the Premier's existing debt and cross-currency swaps.

Each Restructuring Plan Creditor can elect to receive a Partial Cash Alternative to receiving Ordinary Shares, subject to a maximum of US$175.0 million *pro rata* across existing Restructuring Plan Creditors who elect for the Partial Cash Alternative, and/or can elect to receive New Equity Warrants rather than Ordinary Shares. Furthermore, through making the Top-up Election, Senior Creditors and Senior XCCY Hedge Counterparties may subscribe in cash at a pre-agreed price for any unallocated Ordinary Shares which would have been issued to Senior Creditors and Senior XCCY Hedge Counterparties had they not elected to take the Partial Cash Alternative. At the date of preparation of this balance sheet, the intentions by the Creditors to elect to take up the Partial Cash Alternative and/or make a Top-Up Election and/or elect to receive New Equity Warrants rather than Ordinary Shares are unknown.

For the purposes of the Unaudited *Pro Forma* Financial Information, it has been assumed that the Restructuring Plan Creditors will collectively elect to take up the Partial Cash Alternative of US$175.0 million in full, which will have the effect of reducing the number of Premier shares issued under the Top-Up Election to 2,724.9 million Ordinary Shares, assuming a share price of 21.6 pence per Ordinary Share at 14 December 2020, being the Latest Practicable Date, and a foreign exchange rate of GBP:USD of 1.3346. It has been assumed that after the full take up of the Partial Cash Alternative, the Restructuring Plan Creditors do not elect to make a Top-up Election or to receive New Equity Warrants instead of Creditor Shares.

On the basis set out above, the consideration to the Restructuring Plan Creditors comprises a combination of US$1,230.0 million of cash, US$175.0 million of additional cash payment under the Partial Cash Alternative and US$785.5 million of Ordinary Shares valued at a closing price of 21.6 pence on 14 December 2020, being the Latest Practicable Date, at a foreign exchange rate of GBP:USD 1.3346 which in total equates to US$2,190.5 million, which approximates the fair value of the Premier borrowings and cross currency swap liabilities subject to the Debt Restructuring. The adjustment to current borrowings (US$52.2 million) in the *pro forma* statement of net assets reflects this fair value adjustment, recorded as the difference between the fair value of borrowings and cross currency swaps and Premier's carrying values at 30 June 2020 for these financial statement lines.

(iv) Transaction costs incurred and paid by Premier in connection with the Merger of US$20.5 million and the Debt Restructuring of US$40.7 million totalling US$61.2 million have the effect of reducing acquired Premier's net assets, and hence Premier's net assets as at 30 June 2020 have been adjusted for this amount. The transaction fees have been deducted from cash and cash equivalents.

(v) The gross difference of US$214.4 million between the adjusted book value of net assets acquired and the estimated consideration has, therefore, been presented as a single value in as a credit to the *pro forma* income statement representing negative goodwill. Following completion of the Merger and the Debt Restructuring, the assets and liabilities of Premier will be subject to a fair value assessment under the requirements of IFRS 3, and as a result the final goodwill or negative goodwill figure may differ materially from that shown.

(4) At 30 June 2020, Premier's borrowings and cross currency swap liabilities were presented as current liabilities on Premier's balance sheet owing to their maturity date of May 2021. These borrowings (at fair value of US$2,049.5 million) and cross currency swap liabilities (at fair value of US$141.0 million) will be extinguished under the Debt Restructuring through the exchange for cash and share consideration, as noted above.

The Combined Group on completion will enter into a US$4.5 billion New RBL Facility that is being fully underwritten by Bank of Montreal (London Branch), BNP Paribas, DNB (UK) Limited and Lloyds Bank plc. US$1,495 million is drawn down under the New RBL Facility to fund the cash payments to Premier's creditors of US$1,230 million, the Partial Cash Alternative of US$175.0 million and the transaction fees in relation to the arrangement of the New RBL Facility of US$90.0 million. As the cash received from the draw down of the New RBL Facility equals the cash outflows set out above, there is no adjustment to the cash and cash equivalents financial statements line.

Fees incurred in relation to the arrangement of the New RBL Facility of US$90.0 million have been capitalised against the US$1,495 million drawn down under the new RBL facility, leading to an adjustment to non-current borrowings of US$1,405 million.

An adjustment is shown in the *pro forma* income statement to reduce finance costs by US$103.7 million for interest charges recognised by Premier in its unaudited results for the six month period ended 30 June 2020 for the debt facilities which will be extinguished under the Debt Restructuring.

This is offset by a charge of US$49.1 million recognised in the *pro forma* income statement as a finance cost to reflect six months of amortisation of the New RBL Facility fees (US$10.1 million) and an uplift in the Combined Group interest charge (US$39.0 million) charged at LIBOR plus a margin of 3.25 per cent.

(5) Chrysaor has outstanding unsecured C and D loan note borrowings of US$283.0 million as at 30 June 2020. It is expected that US$166.0 million of these loan note borrowings will be cash settled and a further US$131.0 million will be converted to equity as part of the Merger.

(6) Other cash payments of US$11.8 million are expected to be incurred have been assumed to be expensed on completion of the Merger and the Debt Restructuring which relate to the crystallisation of Chrysaor long term incentive plans. In addition, Chrysaor costs in relation to the Merger of US$46.0 million have been expensed as additional General & Administration costs in the period. A total adjustment to cash and cash equivalents of US$57.8 million is shown in the *pro forma* statement of net assets.

(7) No adjustment has been made to eliminate any inter-group trading between Premier and Chrysaor as its impact is not considered material.

(8) All of the adjustments to the unaudited *pro forma* statement of income are considered to be non-recurring with the exception of the expected reduction in finance costs.

(9) No adjustments made to reflect the changes in the financial position or trading results of Premier or Chrysaor since 30 June 2020.

SECTION B

ACCOUNTANT'S REPORT ON THE UNAUDITED *PRO FORMA* FINANCIAL INFORMATION

The Directors
Premier Oil plc
23 Lower Belgrave St, Belgravia,
London SW1W 0NR

Dear Sirs

Premier Oil plc (the "Company")

We report on the *pro forma* financial information (the "***Pro Forma* Financial Information**") set out in Section A of Part VI of the circular dated 16 December 2020 (the "**Circular**").

This report is required by Listing Rule 13.3.3R and is given for the purpose of complying with that rule and for no other purpose.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R (6), consenting to its inclusion in the Circular.

Opinion

In our opinion:

- the *Pro Forma* Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

Responsibilities

It is the responsibility of the directors of the Company to prepare the *Pro Forma* Financial Information in accordance with Listing Rule 13.3.3R.

It is our responsibility to form an opinion, as required by Listing Rule 13.3.3R, as to the proper compilation of the *Pro Forma* Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information of the Company used in the compilation of the *Pro Forma* Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue. No reports or opinions have been made by us on any financial information of Chrysaor Holdings Limited used in the compilation of the *Pro forma* Financial Information. In providing this opinion we are not providing any assurance on any source financial information on which the *Pro Forma* Financial Information is based beyond the above opinion.

Basis of Preparation

The *Pro Forma* Financial Information has been prepared on the basis described in the notes to the *Pro Forma* Financial Information, for illustrative purposes only, to provide information about how the merger with Chrysaor Holdings Limited and debt restructuring might have affected the financial information presented on the basis of the accounting policies to be adopted by the Company in preparing the financial statements for the period ending 31 December 2020.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council ("FRC") in the United Kingdom. We are independent in accordance with the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the *Pro Forma* Financial Information with the directors of the Company.

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

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

Yours faithfully

Ernst & Young LLP

PART VII – HISTORICAL FINANCIAL INFORMATION ON THE CHRYSAOR GROUP

This part of the Circular includes consolidated and combined Historical Financial Information as well as an accountant's reports thereon prepared by PricewaterhouseCoopers LLP and is set out in four sections as follows:

- Section A sets out PricewaterhouseCoopers LLP's report in respect of the consolidated Historical Financial Information relating to the Chrysaor Group, as of and for the three and half years ended 30 June 2020;
- Section B sets out the Chrysaor Group's consolidated Historical Financial Information and includes the accounting policies and notes to the consolidated financial information;
- Section C sets out PricewaterhouseCoopers LLP's report in respect of the combined Historical Financial Information relating to the Combined COP Subsidiaries, as of and for the three years ended 31 December 2019; and
- Section D sets out the Combined COP Subsidiaries' financial information and includes the accounting policies and notes to the combined financial information.

SECTION A: ACCOUNTANT'S REPORT IN RESPECT OF THE HISTORICAL FINANCIAL INFORMATION OF THE CHRYSAOR GROUP

The Directors
Premier Oil plc
23 Lower Belgrave St
Belgravia
London SW1W 0NR
United Kingdom

RBC Europe Limited
100 Bishopsgate
London EC2N 4AA
United Kingdom

16 December 2020

Dear Ladies and Gentlemen

The reverse takeover of Premier Oil plc ("Premier") by Chrysaor Holdings Limited ("Chrysaor") and the proposed readmission of the ordinary shares of Premier to the premium segment of the Official List maintained by the Financial Conduct Authority (the "FCA") and the proposed admission of those shares to trading on the London Stock Exchange's main market for listed securities (the "Transaction").

We report on the financial information of Chrysaor for the three years ended 31 December 2017, 31 December 2018 and 31 December 2019 and for the six months ended 30 June 2020 set out in section B of Part VII below (the "**Historical Financial Information relating to the Chrysaor Group**").

This report is required by item 13.5.21R of the Listing Rules of the Financial Conduct Authority (the "**Listing Rules**") and is given for the purpose of complying with that item and for no other purpose.

We have not audited or reviewed the financial information for the six months ended 30 June 2019 which has been included for comparative purposes only, and accordingly do not express an opinion thereon.

Opinion on financial information

In our opinion, the Historical Financial Information relating to the Chrysaor Group gives, for the purposes of the circular dated 16 December 2020 (the "**Circular**") of Premier, a true and fair view of the state of affairs of the Chrysaor Group as at the dates stated and of its profits and losses, cash flows and changes in equity for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 and for the six months ended 30 June 2020 in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH

Tel: +44 (0) 20 7583 5000, Fax: +44 (0) 20 7212 4652

Responsibilities

The Directors of Premier (the "**Directors**") are responsible for preparing the Historical Financial Information relating to the Chrysaor Group in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the Historical Financial Information relating to the Chrysaor Group and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

Basis of Preparation

The Historical Financial Information relating to the Chrysaor Group has been prepared for inclusion in the Circular of Premier on the basis of the accounting policies set out in Note 1 to the Historical Financial Information.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent in accordance with the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the Historical Financial Information relating to the Chrysaor Group. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Conclusions Relating to Going Concern

We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the Historical Financial Information relating to the Chrysaor Group about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Historical Financial Information relating to the Chrysaor Group and the Directors' identification of any material uncertainties to Chrysaor's ability to continue as a going concern over a period of at least twelve months from the date of this Circular.

We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to Chrysaor's ability to continue as a going concern.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

SECTION B: HISTORICAL FINANCIAL INFORMATION RELATING TO THE CHRYSAOR GROUP

Consolidated Income Statement

	Note	For the years ended 31 December			For the six months ended	
					30 June	*30 June*
		2017	*2018*	*2019*	*2020*	*2019*
		audited	*audited*	*audited*	*audited*	*unaudited*
	Note	*$000*	*$000*	*$000*	*$000*	*$000*
Revenue	4	313,500	1,965,602	2,357,789	1,230,054	1,055,064
Other income	4	—	—	8,995	13,570	—
Revenue and other income		313,500	1,965,602	2,366,784	1,243,624	1,055,064
Cost of sales		(190,146)	(1,120,867)	(1,516,498)	(1,018,015)	(568,336)
Gross profit		123,354	844,735	850,286	225,609	486,728
Impairment of property, plant and equipment	12	—	—	—	(250,629)	—
Impairment of Goodwill	10	—	—	—	(55,735)	—
Provision for onerous service contracts	21	—	—	—	(27,943)	—
Exploration and evaluation expenses	5	(11,323)	(7,917)	(15,033)	(4,190)	(8,077)
Exploration costs written-off	5	(7,276)	(10,731)	(222)	(38,851)	(132)
Loss on disposal of exploration and evaluation asset	11	—	—	—	(55)	—
Remeasurements	5	(30,204)	810	2,974	473	(21,336)
General and administrative expenses		(29,447)	(24,687)	(75,488)	(29,201)	(22,255)
Operating profit/(loss)		45,104	802,210	762,517	(180,522)	434,928
Finance income	7	260	46,484	31,611	105,068	10,190
Finance expenses	7	(44,893)	(270,293)	(338,570)	(148,768)	(121,413)
Profit/(loss) before taxation		471	578,401	455,558	(224,222)	323,705
Income tax (expense)/credit	9	258,527	(209,501)	(236,711)	69,771	(149,327)
Profit/(loss) for the financial period		258,998	368,900	218,847	(154,451)	174,378

Consolidated Statement of Comprehensive Income

	For the years ended 31 December			*For the six months ended*	
				30 June	*30 June*
	2017	*2018*	*2019*	*2020*	*2019*
	audited	*audited*	*audited*	*audited*	*unaudited*
	$000	*$000*	*$000*	*$000*	*$000*
Profit for the financial period	258,998	368,900	218,847	(154,451)	174,378
Fair value (losses)/gains on cash flow hedges	(72,911)	447,840	(53,722)	520,306	(283,255)
Tax credit/(expense) on cash flow hedges	29,164	(179,584)	21,625	(210,167)	113,302
Share based payments [(1)]	—	—	10,905	—	—
Currency exchange differences	8,287	(20,763)	99,787	(135,216)	(911)
Total other comprehensive income for the financial period, net of tax	(35,460)	247,493	78,595	174,923	(170,864)
Total comprehensive income for the financial period	223,538	616,393	297,442	20,472	3,514
Total comprehensive income attributable to:					
Equity holders of the parent	223,538	616,393	297,442	20,472	3,514

(1) Only item above not expected to be reclassified subsequently to the income statement.

Consolidated Balance Sheet

	Note	As at 31 December 2017 audited $000	2018 audited $000	2019 audited $000	As at 30 June 2020 audited $000
Assets					
Non-current assets					
Goodwill	10	500,080	493,084	1,404,334	1,343,616
Other intangible assets	11	59,022	73,531	453,604	492,119
Property, plant and equipment	12	4,235,792	3,729,223	7,656,530	6,519,213
Right of use assets	13	—	—	221,223	144,016
Other receivables	17	—	—	2,604	2,871
Other financial assets	23	14,673	191,514	202,230	313,531
Total non-current assets		4,809,567	4,487,352	9,940,525	8,815,366
Current assets					
Inventories	16	91,563	89,791	146,881	153,044
Trade and other receivables	17	258,499	231,530	474,118	269,432
Other financial assets	23	3,000	299,049	193,888	614,390
Cash and cash equivalents	18	299,541	316,311	573,182	369,391
Total current assets		652,603	936,681	1,388,069	1,406,257
Total assets		5,462,170	5,424,033	11,328,594	10,221,623
Equity and liabilities					
Equity					
Share capital	25	22	22	71	71
Share premium		234,801	234,801	910,020	910,020
Cash flow hedge reserve		(43,747)	219,678	176,123	494,048
Costs of hedging reserve		—	4,831	16,289	8,503
Currency translation reserve		(2,419)	(23,182)	76,605	(58,611)
Retained earnings		131,192	500,092	729,844	575,393
Equity		319,849	936,242	1,908,952	1,929,424
Total equity		319,849	936,242	1,908,952	1,929,424
Non-current liabilities					
Borrowings	22	2,414,333	1,709,317	2,205,322	2,170,189
Provisions	21	1,758,712	1,475,734	3,766,739	3,368,416
Deferred tax	9	374,606	768,746	1,649,290	1,564,731
Trade and other payables	20	—	—	52,375	46,420
Lease creditor	13	—	—	145,403	96,384
Other financial liabilities	23	72,740	75,486	3,663	14,547
Total non-current liabilities		4,620,391	4,029,283	7,822,792	7,260,687
Current liabilities					
Trade and other payables	20	478,492	296,434	676,436	556,103
Borrowings	22	—	95,572	617,363	11,886
Lease creditor	13	—	—	79,525	53,782
Current tax liabilities		1,028	—	—	202,926
Provisions	21	—	—	183,081	206,704
Other financial liabilities	23	42,410	66,502	40,445	111
Total current liabilities		521,930	458,508	1,596,850	1,031,512
Total liabilities		5,142,321	4,487,791	9,419,642	8,292,199
Total equity and liabilities		5,462,170	5,424,033	11,328,594	10,221,623

Consolidated Statement of Changes in Equity

	Note	Share capital $000	Share premium $000	Cash flow hedge reserve $000	Costs of hedging reserve $000	Currency translation reserve $000	Undeclared dividend reserve $000	Share option reserve $000	(Accumulated losses)/ retained earnings $000	Total equity
As at 1 January 2017		1,794	167,437	—	—	(10,706)	154.498	65	(257,540)	55,548
Profit for the financial year		—	—	—	—	—	—	—	258.998	258,998
Other comprehensive (loss)/income				(43,747)		8,287				(35,460)
Share options exercised		2	59	—	—	—	—	(65)	8	4
Cumulative dividends not paid		—	—	—	—	—	2.084	—	(2,084)	—
Cancellation of undeclared dividends	25						(156,582)		156,582	
Cancellation of shares		(1,796)	—	—	—	—	—	—	(24,756)	(26,552)
Issue of new shares		22	67.918	—	—	—	—	—	(16)	67.924
Share issue expenses		—	(613)	—	—	—	—	—	—	(613)
As 31 December 2017 (audited)		22	234,801	(43,747)	—	(2,419)	—	—	131.192	319,849
Profit for the financial year		—	—	—	—	—	—	—	368.900	368,900
Total comprehensive income/(loss)		—	—	263,425	4,831	(20,763)	—	—	—	247,493
At 31 December 2018 (audited)		22	234,801	219,678	4,831	(23,182)	—	—	500.092	936,242
Profit for the financial year		—	—	—	—	—	—	—	218.847	218.847
Issue of new shares	25	49	675,219	—	—	—	—	—	—	675,268
Share based payments	5	—	—	—	—	—	—	—	10.905	10,905
Total comprehensive (loss)/income		—	—	(43,555)	11,458	99,787	—	—	—	67,690
At 31 December 2019 (audited)		71	910,020	176,123	16,289	76,605	—	—	729.844	1,908,952
Loss for the half year		—	—	—	—	—	—	—	(154,451)	(154,451)
Total comprehensive profit/(loss)				317,925	(7,786)	(135,216)				174,923
At 30 June 2020 (audited)		71	910,020	494,048	8.503	(58,611)	—	—	575.393	1,929,424

Consolidated Statement of Cash Flows

		For the years ended 31 December			*For the six months ended*	
	Note	*2017 audited $000*	*2018 audited $000*	*2019 audited $000*	*30 June 2020 audited $000*	*30 June Unaudited $000*
Net cash inflow from operating activities	26	54,027	1,447,842	1,518,661	946,096	774,222
Cash flows from investing activities						
Expenditure on exploration and evaluation assets		(8,818)	(28,801)	(82,634)	(46,519)	(43,266)
Expenditure on property, plant and equipment		(26,715)	(313,406)	(439,706)	(274,820)	(180,722)
Expenditure on non-oil and gas intangible assets		—	(7,956)	(7,937)	(32,882)	(4,394)
Proceeds from sale of exploration and evaluation asset		—	—	—	20	—
Expenditure on business combinations and acquisitions net of cash acquired		(2,062,302)	(240,360)	(2,255,236)	(12,495)	(302,579)
Interest received		260	8,622	9,453	3,460	4,662
Net cash (outflow) from investing activities		(2,097,575)	(581,901)	(2,776,060)	(363,236)	(526,299)
Cash flows from financing activities						
Repayment of borrowings	22,26	—	(735,000)	(200,000)	(634,000)	(200,000)
Proceeds from new financing arrangement	22,26	—	20,400	29,600		15,000
Proceeds from share issue		67,313	—	4	—	—
Redemption of loan notes		—	—	—	(46,860)	—
Proceeds from new borrowings	22,26	2,272,026	—	1,843,275	2,596	—
Lease payments		—	—	(20,598)	(32,649)	(471)
Interest paid and bank charges		(29)	(132,825)	(143,914)	(75,332)	(89,709)
Net cash inflow/(outflow) from financing activities		2,339,310	(847,425)	1,508,367	(786,245)	(275,180)
Net increase/(decrease) in cash and cash equivalents		295,762	18,516	250,968	(203,385)	(27,257)
Effect of exchange rates on cash and cash equivalents		(303)	(1,746)	5,903	(406)	359
Cash and cash equivalents at beginning of period		4,082	299,541	316,311	573,182	316,311
Cash and cash equivalents at end of period	18	299,541	316,311	573,182	369,391	289,413

Notes to the Financial Statements

1. Corporate Information

The consolidated financial statements of Chrysaor Holdings Limited for the years ended 31 December 2017 to 2019 and for the six month periods ended 30 June 2020 and 30 June 2019, which comprise the parent company, Chrysaor Holdings Limited ("**Chrysaor**") and all its subsidiaries (the "**Chrysaor Group**"), were authorised for issue in accordance with a resolution of the directors on 10 December 2020. Chrysaor is a private company limited by share capital incorporated in the Cayman Islands and domiciled in the United Kingdom. Chrysaor's registered office is Ugland House, South Church Crescent, George Town, Grand Cayman.

The Chrysaor Group's principal activities are the acquisition, exploration, development and production of oil and gas reserves on the UK and Norwegian Continental Shelves.

2. Accounting Policies

Basis of Preparation

The principal accounting policies applied in the preparation of the consolidated historical financial information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial information presented is at and for the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019, and the six-month periods to 30 June 2020, and 30 June 2019 (which is unaudited). Financial year and period ends have been referred to as 31 December and 30 June throughout the consolidated historical financial information as per the Chrysaor Group's accounting reference date. Financial years are referred to as 2017, 2018 and 2019 in this historical financial information.

The consolidated financial statements of the Chrysaor Group have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and as adopted by the European Union. The Chrysaor Group financial statements are presented in US Dollars ("**USD**") and all values are rounded to the nearest thousand dollars ($'000) except when otherwise stated.

The financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities (including derivative financial instruments) which have been measured at fair value and assets classified as held for sale which are carried at fair value less cost to sell.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019. All accounting policies have been applied consistently other than where new policies have been adopted.

The Chrysaor Group historical financial information has been prepared under accounting policies consistent with those of Premier Oil plc in its last published Annual Report.

Basis of Consolidation

The Chrysaor Group financial statements consolidate the financial statements of Chrysaor and its subsidiary undertakings drawn up to each 31 December financial year-end and each 30 June period-end. Subsidiaries are those entities over which the Chrysaor Group has control. Control is achieved where Chrysaor has the power over the subsidiary, is exposed, or has rights to variable returns from the subsidiary and has the ability to use its power to affect its returns. All subsidiaries are 100 per cent. owned by Chrysaor and therefore the Chrysaor Group does not have any non-controlling interests.

All intercompany balances have been eliminated on consolidation.

New Accounting Standards and Interpretations

The Chrysaor Group adopted new and revised accounting standards and interpretations relevant to its business and effective for accounting periods beginning on or after 1 January 2017, including:

IFRS 9 Financial Instruments

The classification and measurement of financial assets has changed with the implementation of IFRS 9. However, this has not materially changed the measurement of financial assets of the Chrysaor Group. The IFRS 9 impairment model requiring the recognition of 'expected credit losses', in contrast to the requirement to recognise 'incurred credit losses' under IAS 39, has not had a material impact on the Chrysaor Group's financial statements. Trade receivables are generally settled on a short time frame and the Chrysaor Group's other financial assets are due from counterparties without material credit risk concerns at the time of transition.

IFRS 15 Revenue from Contracts with Customers

The implementation of IFRS 15 has not impacted the presentation of the Chrysaor Group's sales revenue. Disclosure of disaggregated revenue information consistent with the requirement included in IFRS 15 has not had an impact on the information presented in note 4. The Chrysaor Group's accounting policy under IFRS 15 is detailed within "Revenue from Contracts with Customers" and does not, therefore, represent a substantive change from the Chrysaor Group's previous accounting policy for recognising revenue from sales to customers.

IFRS 16 Leases

The Chrysaor Group adopted IFRS 16 'Leases' from the effective date of 1 January 2019. IFRS 16 replaced the previous standard on accounting for leases, IAS 17, and the related interpretations. Transition to IFRS 16 was made in accordance with the modified retrospective approach and therefore, the prior year figures have not been adjusted. As part of the project conducted on initial application, the Chrysaor Group used the practical expedient within the standard not to reassess whether a contract contains a lease and also not to recognise right of use assets and liabilities for leases where the total lease term is less than or equal to 12 months, or for leases of low value. The main effect on the Group is that IFRS 16 has introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases where the practical expedients above are not applicable.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Chrysaor Group. These liabilities are initially measured on a present value basis reflecting the net present value of the fixed lease payments and amounts expected to be payable by the Chrysaor Group assuming leases run to full term with no break clauses exercised. These liabilities are discounted using the lessee's incremental borrowing rate as of 1 January 2019, being the rate that the Chrysaor Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.9 per cent.. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

The Chrysaor Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Chrysaor Group is reasonably certain to exercise such options impacts the lease term, which significantly impacts the amount of lease liabilities and right-of-use assets recognised.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in note 13.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. This amendment is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, and to asset acquisitions that occur on or after the beginning of that period. Application of this amendment will be effective post EU endorsement.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Chrysaor Group has not been affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material has not had a significant impact on the Chrysaor Group's consolidated financial statements.

The other pronouncements did not have any impact on the Chrysaor Group's accounting policies and did not require retrospective adjustments.

Accounting Standards Issued but Not Yet Effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Chrysaor Group's financial statements are disclosed below. The Chrysaor Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS17 Insurance Contracts

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 is also applied. The standard combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract. Insurance service results (including presentation of insurance revenue) are presented separately from insurance finance income or expenses. It also requires an entity to make an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income. The Chrysaor Group does not expect any existing contracts to be impacted by the new standard however, this will be assessed closer to adoption of 1 January 2023.

Amendments to IAS 1, 'Presentation of financial statements' – Classification of liabilities as current or non-current

On 23 January 2020, the IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The Chrysaor Group will consider if its liabilities are either current or non-current when the standard is effective from 1 January 2022.

IBOR reform and the effects on financial reporting

The International Accounting Standards Board ("**IASB**") issued Interest Rate Benchmark Reform—Phase 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases. IASB identified two groups of accounting issues that could have financial reporting implications. In 2019, the Board issued its initial amendments in Phase 1 of the project, applicable to 2020 reporting, it covers reporting in the period before the replacement of an existing interest rate benchmark with an alternative RFR (Risk Free Rate). This addressed hedge accounting requirements: the highly probable requirement; prospective assessments; and separately identifiable risk components. The Chrysaor Group has assessed the requirements of Phase 1 which apply for the first time in 2020, none of which impact the financial statements of the Chrysaor Group because there is no material hedge accounting of interest rate exposures. Phase 2 addresses financial reporting when an existing interest rate benchmark is replaced with an alternative RFR, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). The Chrysaor Group has not early adopted Phase 2 requirements.

Segment Reporting

The Chrysaor Group's activities consist of one class of business – the acquisition, exploration, development and production of oil and gas reserves and related activities in two geographical areas presently being the UK North Sea and the Norwegian North Sea.

Pensions

Contributions made to defined contribution pension schemes are recognised in the income statement in the period in which they become payable.

Joint Arrangements

Exploration and production operations are usually conducted through joint arrangements with other parties. The Chrysaor Group reviews all joint arrangements and classifies them as either joint operations or joint ventures depending on the rights and obligations of each party to the arrangement and whether the arrangement is structured through a separate vehicle. All interests in joint arrangements held by the Chrysaor Group are classified as joint operations.

In relation to its interests in joint operations, the Chrysaor Group recognises its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation, and
- Expenses, including its share of any expenses incurred jointly

Foreign Currency Translation

Each entity in the Chrysaor Group determines its own functional currency, being the currency of the primary economic environment in which the entity operates, and items included in the financial statements of each entity are measured using that functional currency.

The consolidated financial statements are presented in US Dollars.

Transactions recorded in foreign currencies are initially recorded in the entity's functional currency by applying an average rate of exchange. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the income statement, except when hedge accounting is applied. Non-monetary assets and liabilities denominated in foreign currencies are measured at historic cost based on exchange rates at the date of the transaction and subsequently not retranslated.

On consolidation, the assets and liabilities of the Chrysaor Group's operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average monthly exchange rates for the period. Equity is held at historic costs and are not retranslated. The resulting exchange differences are recognised as other comprehensive income or expense and are transferred to the Chrysaor Group's translation reserve.

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of completion of the acquisition. Acquisition costs incurred are expensed and included in administrative expenses. Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its fair value at acquisition.

The identifiable assets, liabilities and contingent liabilities acquired that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.

- Liabilities or equity instruments related to the replacement by the Chrysaor Group of an acquirer's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment, and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and discontinued operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Chrysaor Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Chrysaor Group obtains complete information about facts and circumstances that existed as of the acquisition date, subject to a maximum of one year.

Goodwill

In the event of a business combination or acquisition of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, the acquisition method of accounting is applied. Goodwill represents the difference between the aggregate of the fair value of purchase consideration transferred at the acquisition date and the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment. Goodwill is treated as an asset of the relevant entity to which it relates and accordingly non-US Dollar goodwill is translated into US Dollars at the closing rate of exchange at each reporting date.

Goodwill, as disclosed in note 10, is reviewed for impairment at least annually by assessing the recoverable amount of the cash generating units to which the goodwill relates. Where the carrying amount of the cash generating unit and related goodwill is higher than the recoverable amount of the cash generating unit, an impairment loss is recognised.

Intangible Assets – Exploration and Evaluation Assets

Exploration and evaluation expenditure is accounted for using the successful efforts method of accounting.

(a) Pre-Licence Costs

Pre-licencing costs are expensed in the period in which they are incurred.

(b) Licencing and Property Acquisition Costs

Licence and property acquisition costs paid in connection with a right to explore in an existing exploration area are capitalised as exploration and evaluation costs within intangible assets.

Licence and property acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. If no future activity is planned or the related licence has been relinquished or has expired, the carrying value of the property acquisition costs is written off through the income statement. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties within development and production assets.

(c) Exploration and Evaluation Costs

Once the legal right to explore has been acquired, costs directly associated with the exploration are capitalised as exploration and evaluation intangible non-current assets until the exploration is complete and the results have been evaluated. If no potential commercial resources are discovered, the exploration asset is written off.

All such capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least annually. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off through the income statement.

When proved reserves of oil or natural gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties within development and production assets. No amortisation is charged during the exploration and evaluation phase.

(d) Farm-Outs – In the Exploration and Evaluation Phase

The Chrysaor Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but re-designates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

Property, Plant and Equipment – Oil and Gas Development and Production Assets

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells including unsuccessful development or delineation wells, is capitalised as oil and gas properties within development and production assets.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Until the adoption of IFRS 16 Leases, the capitalised value of a finance lease was included within property, plant and equipment within the Chrysaor Group's financial statements.

All costs relating to a development are accumulated and not depreciated until the commencement of production. Depreciation is provided using the unit of production method based on proved plus probable reserves. When there is a change in the estimated total recoverable proved plus probable reserves of a field, that change is accounted for prospectively in the depreciation charge over the revised remaining proved plus probable reserves.

An item of development and production expenditure and any significant part initially recognised 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 the income statement.

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Chrysaor Group, the expenditure is capitalised. All other day-to-day repairs and maintenance costs are expensed as incurred.

Fixtures and Fittings and Office Equipment

Fixtures and fittings and office equipment (non-oil and gas property, plant and equipment) is stated at cost less accumulated depreciation and impairment. Depreciation is provided for on a straight-line basis at rates sufficient to write off the cost of the asset less any residual value over their estimated useful economic lives. The depreciation periods for the principal categories of assets are as follows:

Fixtures and fittings	Up to 10 years
Office furniture and equipment	Up to 5 years

Intangible assets

Intangible assets, which principally comprise IT software, are carried at cost less any accumulated amortisation. These assets are amortised on a straight-line basis over their useful economic lives of up to three years.

Impairment of Non-Current Assets (excluding goodwill)

The Chrysaor Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, the Chrysaor Group estimates the recoverable amount of the associated asset or cash generating unit, being the higher of the fair value less costs of disposal and value-in-use. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the difference is recognised in the income statement as an impairment charge.

Financial Instruments

a. Financial Assets

Chrysaor uses two criteria to determine the classification of financial assets: Chrysaor's business model and contractual cash flow characteristics of the financial assets. Where appropriate Chrysaor identifies three categories of financial assets: amortised cost, fair value through profit or loss ("**FVTPL**"), and fair value through other comprehensive income ("**FVOCI**").

Financial Assets held at Amortised Cost

Financial assets held at amortised cost are initially measured at fair value except for trade debtors which are initially measured at cost. Both are subsequently carried at amortised cost using the effective interest rate ("**EIR**") method, less impairment. The EIR amortisation is presented within finance income in the Income statement.

Cash and Cash Equivalents

Cash at bank and in hand in the balance sheet comprise cash deposits with banks and in hand.

Impairment of Financial Assets

Chrysaor recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that Chrysaor expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Chrysaor Group applies a simplified approach in calculating ECLs. Provision rates are calculated based on estimates including the probability of default by assessing counterparty credit ratings, as adjusted for forward-looking factors specific to the debtors and the economic environment and the Chrysaor Group's historical credit loss experience.

Credit Impaired Financial Assets

At each reporting date, the Chrysaor Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

— significant financial difficulty of the borrower or issuer

— a breach of contract such as default or past due event

— the restructuring of a loan or advance by the Chrysaor Group on terms that the Chrysaor Group would otherwise not consider

— it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation, – or the disappearance of an active market for a security because of financial difficulties

b. *Financial Liabilities*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Borrowings and Loans

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

c. *Derivative Financial Instruments*

Derivative financial instruments are initially recognised and subsequently re-measured at fair value. Certain derivative financial instruments are designated as cash flow hedges in line with Chrysaor's risk management policies. When derivatives do not qualify for hedge accounting or are not designated as accounting hedges, changes in the fair value of the instrument are recognised within the income statement.

Cash Flow Hedges

The effective portion of gains and losses arising from the remeasurement of derivative financial instruments designated as cash flow hedges are deferred within other comprehensive income and subsequently transferred to the income statement in the period the hedged transaction is recognised in the income statement. When a hedging instrument is sold or expires, any cumulative gain or loss previously recognised in other comprehensive income remains deferred until the hedged item affects profit or loss or is no longer expected to occur. Any gain or loss relating to the ineffective portion of a cash flow hedge is immediately recognised in the income statement. Hedge ineffectiveness could arise if volumes of the hedging instruments are greater than the hedged item of production, or where the credit worthiness of the counterparty is significant and may dominate the transaction and lead to losses.

d. *Fair Values*

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques.

Equity

Share Capital

Share capital includes the total net proceeds, both nominal and share premium, on the issue of ordinary and preference shares of Chrysaor.

Cash Flow Hedge Reserves

The cash flow hedge and cost of hedging reserves represents gains and losses on derivatives classified as effective cash flow hedges.

Currency Translation Reserve

This reserve comprises exchange differences arising on consolidation of the Chrysaor Group's operations with a functional currency other than the USD.

Share Based Payments

The Chrysaor Group has applied the requirements of IFRS 2 Share-based Payments. The Chrysaor Group has share-based awards that are equity and cash settled as defined by IFRS 2. The fair value of the equity settled awards has been determined at the date of grant of the award allowing for the effect of any market-based conditions. For cash-settled awards, a liability is recognised for the goods or service acquired. This is measured initially at the fair value of the liability. The fair value of the liability is subsequently remeasured at each balance sheet date until the liability is settled, and at the date of settlement, with any changes in fair value recognised in the income statement.

Inventories

Hydrocarbon inventories are stated at net realisable value with movements recognised in the income statement. All other inventories are stated at the lower of cost and net realisable value. The cost of materials is the purchase cost, determined on a first-in, first-out basis.

Provisions for Liabilities

A provision is recognised when the Chrysaor Group has a legal or constructive obligation as a result of a past event; 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 the income statement net of any reimbursement. 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 risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the income statement.

The estimated cost of dismantling and restoring the production and related facilities at the end of the economic life of each field is recognised in full at the commencement of oil and gas production. The amount provided is the present value of the estimated future restoration cost. A non-current asset is also recognised. Any changes to estimated costs or discount rates are dealt with prospectively.

Trade Payables

Initial recognition of trade payables is at fair value. Subsequently they are stated at amortised cost.

Taxes

i. Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Chrysaor Group operates and generates taxable income.

Current income tax related to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or directly in equity not in the income statement.

ii. Deferred Tax

Deferred taxation is recognised in respect of all timing differences arising between the tax bases of the assets and liabilities and their carrying amounts in the financial statements with the following exceptions:

- Deferred income tax assets are recognised only to the extent that it is probable that the taxable profit will be available against which the deductible temporary difference, carried forward tax credits or tax losses can be utilised.

- Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the reporting date. The carrying amount of the deferred income tax asset is reviewed at each reporting date.
- Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to offset current assets against current tax liabilities, the deferred income tax relates to the same tax authority and that same tax authority permits the Chrysaor Group to make a single net payment.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognised when Chrysaor satisfies a performance obligation by transferring a good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. Revenue associated with the sale of crude oil, natural gas, and natural gas liquids is measured based on the consideration specified in contracts with customers with reference to quoted market prices in active markets, adjusted according to specific terms and conditions as applicable according to the sales contracts. The transfer of control of oil, natural gas, natural gas liquids and other items sold by Chrysaor occurs when title passes at the point the customer takes physical delivery. Chrysaor principally satisfies its performance obligations at this point in time.

Over/Underlift

Revenues from the production of oil and natural gas properties in which the Chrysaor Group has an interest with partners are recognised based on the Chrysaor Group's working interest in those properties (the entitlement method). Differences between the production sold and the Chrysaor Group's share of production result in an overlift or an underlift. Overlift and underlift are valued at market value and included within payables or receivables respectively. Movements during the accounting period are recognised within cost of sales in the income statement such that gross profit is recognised on an entitlement basis.

Interest Income

Interest income is recognised on an accruals basis, by reference to the principal outstanding and at the effective interest rate method.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective assets.

Critical Accounting Judgements and Estimates

The preparation of the Chrysaor Group's financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on management experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. In particular, the Chrysaor Group have identified the following areas where significant judgement, estimates and assumptions are required.

- *Exploration and Evaluation Expenditure*

  As at 30 June 2020, the Chrysaor Group held a balance of US$439.8 million (as at 31 December 2019: US$425.3 million, 30 June 2019: US$92.7 million, 31 December 2018: US$52.5 million, 31 December 2017: US$35.5 million) relating to expenditure on unproved hydrocarbon resources within other intangible assets which represent active exploration and evaluation activities. The application of the Chrysaor Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in the income statement in the period when the new information becomes available.

- *Goodwill*

  The Chrysaor Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit ("**CGU**") to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised in the income statement. Impairment losses relating to goodwill cannot be reversed in future periods.

Key Sources of Estimation Uncertainty

- *Recoverability of Oil and Gas Assets*

  The Chrysaor Group assesses each asset or cash generating unit each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value-in-use. The assessments of fair value less cost of disposal requires the use of estimates and assumptions on uncontrollable parameters such as long-term oil prices (considering current and historical prices, price trends and related factors, foreign exchange rates and discount rates.

  The Chrysaor Group's estimate of the recoverable value of its assets is sensitive to commodity prices and discount rates. A change in the long-term price assumptions of 10 per cent., and a 2 per cent. change in the post-tax discount rate are considered to be reasonably possible for the purposes of sensitivity analysis, the result of which can be found in notes 10 and 12.

- *Decommissioning Costs*

  Decommissioning costs will be incurred by the Chrysaor Group at the end of the operating life of most of the Chrysaor Group's facilities and properties. The Chrysaor Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including the expected timing, extent and amount of expenditure. On the basis that all other assumptions in the calculation remain the same a 10 per cent. increase in the cost estimates, and a 10 per cent. decrease in the discount rates used to assess the final decommissioning obligation at 30 June 2020, would result in increases to the decommissioning provision of US$440 million and US$62 million respectively. This change would be principally offset by a change to the value of the associated asset.

- *Accounting for Business Combinations*

  On 1 November 2017, the Chrysaor Group acquired a package of assets in the UK North Sea from Shell for a price of US$3.0 billion with further payments between the two companies contingent upon future exploration results and commodity prices. The transaction comprised the direct acquisition of interests in certain joint operations and the acquisition of 100 per cent. of the issued share capital of the former Shell entity, BG International (CNS) Limited.

  On 30 September 2019, the Chrysaor Group acquired the ConocoPhillips UK business for a total consideration of US$2.5 billion, with the final value of consideration still under negotiation in accordance with the terms of the sales agreement.

  The acquisition accounting for both transactions is set out in note 15 to these financial statements.

  In completing the accounting, management have been required to make estimates relating to the fair value of the assets and liabilities acquired. In particular, estimates have been made in assessing the valuation of tangible and intangible oil and gas assets, and decommissioning liabilities. The fair value of net assets acquired are primarily determined using discounted cashflow techniques using available data at the time of acquisition. For oil and gas assets, the Chrysaor Group estimates future cash flows from an assessment of economically recoverable reserves and discounts them to present value using a rate reflecting market assessments at the time value of money and risks specific to the asset. Determining the fair value of oil and gas assets requires the Chrysaor Group to apply long term assumptions of commodity prices.

The Chrysaor Group assesses the fair value of decommissioning liabilities based on the expected timing, extent and amount of expenditure using data available at the time of acquisition. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at production sites. The expected timing of expenditure can also change, and as a result there could be significant adjustments to the provisions which could affect future financial results.

- *Recovery of deferred tax assets*

  Deferred tax assets, including those arising from un-utilised tax losses, require management to estimate and assess the likelihood that the Chrysaor Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. Assumptions about the generation of future taxable income are based on forecasted cash flows from operations and judgement about the application of existing tax laws. Judgement is required to determine whether deferred tax assets are recognised in the balance sheet. Following completion of the transaction with Shell in 2017, the foreseeable future taxable profits of the Chrysaor Group increased sufficiently to allow previously unrecognised deferred tax associated with pre-acquisition losses to be recognised in full.

- *Climate Change*

  The Chrysaor Group recognises that there may be potential financial implications in the future from climate change risk. The Chrysaor Group expects that climate change policies, legislation and regulation will increase, and likely on accelerating timelines which, although will result in intended benefits, is likely to increase associated costs and administration requirements as well as potentially limiting the investment capital available to the industry. These in due course may well have an impact across a number of areas of accounting including impairment, fair values, increased costs, onerous contracts, contingent liabilities. However as at the balance sheet date the Chrysaor Group believes there is no material impact on balance sheet carrying values of assets or liabilities. Although this is an estimate, it is not considered a critical estimate, as management's view is that at the end of the current reporting period there is no significant risk of climate change resulting in a material adjustment to the carrying amounts of assets and liabilities, within the next financial year.

3. Segment Information

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the Chrysaor Group's business segments, has been identified as the Chief Executive Officer.

The Chrysaor Group's activities consist of one class of business being the acquisition, exploration, development and production of oil and gas reserves and related activities, and are split geographically and managed in two regions, namely the UK North Sea and the Norwegian North Sea. The Norwegian business unit currently does not generate revenue or have any material operating income, and as such all revenues are attributable to the UK.

Information on major customers can be found in note 4.

Income statement	Year ended 31 December 2017 $000	Year ended 31 December 2018 $000	Year ended 31 December 2019 $000	Six months ended 30 June 2020 $000	Six months ended 30 June 2019 $000
UK	45,104	810,159	772,820	(177,397)	442,992
Norway	—	(7,949)	(10,303)	(3,125)	(8,064)
Chrysaor Group Operating Profit/(Loss)	45,104	802,210	762,517	(180,522)	434,928
Finance income	260	46,484	31,611	105,068	10,190
Finance expenses	(44,893)	(270,293)	(338,570)	(148,768)	(121,413)
Profit/(loss) before income tax	471	578,401	455,558	(224,222)	323,705
Income tax expense	258,527	(209,501)	(236,711)	69,771	(149,327)
Profit/(loss) for the financial period	258,998	368,900	218,847	(154,451)	174,378

Balance sheet ***Segment assets***	2017 $000	2018 $000	2019 $000	30 June 2020 $000
UK	5,462,170	5,415,424	11,296,039	10,178,260
Norway	—	8,609	32,555	43,363
Total assets	5,462,170	5,424,033	11,328,594	10,221,623

Segment liabilities	2017 $000	2018 $000	2019 $000	30 June 2020 $000
UK	(5,142,321)	(4,477,140)	(9,404,440)	(8,262,232)
Norway	—	(10,651)	(15,202)	(29,967)
Total liabilities	(5,142,321)	(4,487,791)	(9,419,642)	(8,292,199)

Other information ***Capital expenditure***	2017 $000	2018 $000	2019 $000	30 June 2020 $000
UK	66,665	409,104	574,342	305,600
Norway	—	762	5,670	11,200
Total capital expenditure	66,665	409,866	580,012	316,800

	Year ended 31 Dec 2017 $000	Year ended 31 Dec 2018 $000	Year ended 31 Dec 2019 $000	Six months ended 30 June 2020 $000	Six months ended 30 June 2019 $000
Depreciation, depletion & amortisation					
UK	100,847	629,134	916,603	723,222	359,102
Norway	—	20	412	246	205
Total depreciation, depletion & amortisation	100,847	629,154	917,015	723,468	359,307

	Year ended 31 Dec 2017 $000	Year ended 31 Dec 2018 $000	Year ended 31 Dec 2019 $000	Six months ended 30 June 2020 $000	Six months ended 30 June 2019 $000
Exploration & evaluation expenses					
UK	11,323	1,994	5,052	1,990	743
Norway	—	5,923	9,981	2,200	7,334
Total exploration & evaluation expenses	11,323	7,917	15,033	4,190	8,077

All exploration costs written-off of US$38.9 million (Dec 2019: US$0.2 million; June 2019: US$0.1 million; Dec 2018: US$10.7 million; Dec 2017: $7.3 million) relate to the UK business unit.

4. Revenue and Other Income

	For the years ended 31 December			*For the six months ended*	
	2017 $000	*2018 $000*	*2019 $000*	*30 June 2020 $000*	*30 June 2019 $000*
Crude oil sales	203,551	1,278,637	1,568,166	722,584	703,412
Gas sales	86,016	516,790	625,489	413,438	268,247
Condensate sales	23,933	154,823	145,501	70,385	74,247
Hydrocarbon revenue	313,500	1,950,250	2,339,156	1,206,407	1,045,906
Tariff revenue	—	14,692	13,972	22,685	6,865
Other revenue	—	660	4,661	962	2,293
Total revenue from production activities	313,500	1,965,602	2,357,789	1,230,054	1,055,064
Other income – IFRS16 lease accounting-partner recovery	—	—	8,995	—	—
Total revenue and other income	313,500	1,965,602	2,366,784	1,230,054	1,055,064

Revenue of US$755.9 million (Dec 2019: US$2,195.7 million; June 2019: US$1,017.5 million; Dec 2018: US$2,017.4 million; Dec 2017: US$313.5 million) were from contracts with customers. Revenue from contracts with customers excludes realised hedging gains on crude and gas sales in the period of US$474.1 million (Dec 2019: US$162.2 million; June 2019: US$37.6 million; Dec 2018: losses of US$51.8 million; Dec 2017: nil). Approximately 96 per cent. (Dec 2019: 97 per cent.; June 2019: 96 per cent.; Dec 2018: 96 per cent.; Dec 2017: 95 per cent.) of the revenues were attributable to energy trading companies of the Shell group.

The revenues from 2019 reflect the three months of oil and gas production from the ConocoPhillips UK business following the acquisition on 30 September 2019, as described in note 15.

5. Operating Profit

This is stated after charging/(crediting):

	For the years ended 31 December			*For the six months ended*	
				30 June	*30 June*
	2017	*2018*	*2019*	*2020*	*2019*
	$000	*$000*	*$000*	*$000*	*$000*
Movement in over/under-lift balances and hydrocarbon inventories	4,799	50,772	26,249	(62,850)	(47,162)
Production, insurance and transportation costs	85,771	494,908	586,224	370,141	263,231
Depreciation of oil and gas assets	98,9711	617,024	889,226	696,504	351,178
Depreciation of non-oil and gas assets	1,260	3,096	4,905	3,077	2,158
Amortisation of oil and gas intangible assets	606	2,797	2,097	870	1,089
Amortisation of non-oil and gas intangible assets	10	6,237	9,275	6,526	3,733
Depreciation of right of use oil and gas assets	—	—	16,963	28,777	—
Capitalisation of IFRS16 lease depreciation on oil and gas assets	—	—	(8,695)	(15,426)	—
Depreciation of right of use non-oil and gas assets	—	—	3,244	3,140	1,149
Credit due to reduction in decommissioning provision	—	(44,485)	—	—	—
Ineffectiveness of cash flow hedges	332	—	—	—	—
Onerous contract provision (note 21)	—	—	—	27,943	—
Share based payments expense	—	—	10,905	—	—
Impairment of property, plant and equipment	—	—	—	250,629	—
Impairment of goodwill	—	—	—	55,735	—
Exploration and evaluation expenditure	11,323	7,917	15,033	4,190	8,077
Exploration costs written-off (note 11)	7,276	10,731	222	38,851	132
Remeasurement of royalty valuation	9,171	(1,327)	(2,400)	(280)	(1,400)
Remeasurement of commodity price contingent consideration	21,033	734	7,199	—	22,460
Remeasurement of exploration contingent consideration	—	(217)	(7,773)	—	276
Remeasurement of acquisition completion adjustments	—	—	—	391	—
Remeasurement gain on termination of lease				(584)	
Auditors' remuneration – audit of the financial statements	557	466	1,357	820	842
– other fees to auditors – taxation services	340	533	400	—	—
Operating lease payments	1,684	949	—	—	—

Share based payments expense represents the cost of 660 M shares awarded to key management as remuneration. The expense of $US10.9m charged during the year is calculated based on the value paid by Harbour in purchasing these shares in November 2019. In prior years there was no shared based payment charge since the fair value was nil.

During 2015, the Chrysaor Group sold its entire interest in a pre-production development. Part of the consideration received was a beneficial interest in a royalty agreement. The remeasurement of this interest of US$0.3 million (Dec 2019: US$2.4 million; June 2019: US$1.4 million; Dec 2018: US$1.3 million; Dec 2017: (US$9.2 million)) represents the updated valuation of the contingent consideration in respect of the royalty payments due to the Chrysaor Group (note 23).

During 2017, the Chrysaor Group acquired a package of assets in the UK North Sea from Shell. The transaction included provisions for additional payments to the sellers of up to US$600 million and consideration refundable from the sellers of up to US$100 million, dependent on future commodity prices over the four-year period ending 31 December 2021. These contingent payments and receipts represent derivative instruments, the remeasurement of which is recognised through the income statement in the periods to 31 December 2019 (note 23). The contingent consideration exposure in relation to the 2020 and 2021 calendar years was settled in October 2019 and the contingent consideration in relation to the 2019 calendar year was fully settled in March 2020 and as a result there have been no further movements on the fair value of crude based derivative instruments reported through the 2020 income statement.

6. Staff Costs

	For the years ended 31 December			For the six months ended	
				30 June	*30 June*
	2017	*2018*	*2019*	*2020*	*2019*
	$000	*$000*	*$000*	*$000*	*$000*
Wages and salaries	18,837	54,262	82,479	73,182	32,329
Social security costs	1,711	6,910	12,408	11,945	4,923
Pension costs	1,276	6,836	11,173	11,812	3,735
Other staff costs including benefits	535	2,724	20,031	10,015	2,664
	22,359	70,732	126,091	106,954	43,651

	For the years ended 31 December			For the six months ended	
				30 June	*30 June*
	2017	*2018*	*2019*	*2020*	*2019*
	No.	*No.*	*No.*	*No.*	*No.*
Offshore based	26	156	206	398	177
Office and administration	62	213	357	646	245
	88	369	563	1,044	422

Staff costs above are recharged to joint venture partners or are capitalised to the extent that they are directly attributable to capital or decommissioning projects. The above costs include share-based payments to key management as disclosed in note 5.

Employment contracts are held by three subsidiaries of the Chrysaor Group, Chrysaor E&P Services Limited, Chrysaor Norge AS and Chrysaor Production (U.K.) Limited.

All employees were engaged in the acquisition, exploration, development and production of oil and gas reserves.

The Chrysaor Group operates a defined contribution pension plan and the amounts charged to the income statement represent the contributions payable in the period.

7. Finance income and Finance Expenses

	For the years ended 31 December			For the six months ended	
				30 June	*30 June*
	2017	*2018*	*2019*	*2020*	*2019*
Finance income:	*$000*	*$000*	*$000*	*$000*	*$000*
Bank interest receivable	260	8,622	9,345	2,390	4,662
Other interest	—	—	22,266	1,070	5,528
Foreign exchange gains	—	37,862	—	101,608	—
	260	46,484	31,611	105,068	10,190
Finance expenses:					
Interest payable on Reserves Based Loan and junior facilities	15,906	99,914	83,955	58,995	33,703
Interest payable on loan notes	15,199	83,911	69,767	13,419	45,055
Other interest	—	3,924	3,072	1,532	328
Lease interest	—	—	2,541	3,853	570
Foreign exchange losses	915	—	82,171	—	424
Bank and financing fees	5,264	37,187	39,272	22,412	20,704
Unwinding of discount on deferred consideration	463	—	80	92	—
Unwinding of discount on contingent consideration	—	925	83	—	—
Unwinding of discount on decommissioning and other provisions	7,146	44,432	57,629	48,465	20,629
	44,893	270,293	338,570	148,768	121,413

Bank and financing fees include an amount of US$7.6 million (Dec 2019: US$15.6 million; June 2019: US$8.1 million; Dec 2018: US$17.3 million; Dec 2017: US$2.8 million) relating to the amortisation of transaction costs capitalised against the Chrysaor Group's long-term borrowings (note 22).

Net other interest expense of US$0.5m (2019: US$5.2 million credit) includes a US$1.1 million charge (Dec 2019 US$19.7 million credit; June 2019: US$5.2 million credit; Dec 2018: US$3.9 million charge; Dec 2017: nil) which represents interest under a financing arrangement (note 22).

8. Directors' Remuneration

	For the years ended 31 December			*For the six months ended*	
				30 June	*30 June*
	2017	*2018*	*2019*	*2020*	*2019*
	$000	*$000*	*$000*	*$000*	*$000*
Directors' remuneration	901	2,215	1,952	1,420	1,233
Payments made in lieu of pension contributions	53	179	171	106	87
Pension costs	12	25	20	7	10
	966	2,419	2,143	1,533	1,330

Included above are the emoluments of the two Executive Directors of the Chrysaor Group. The payments made in lieu of pension contributions were made at the same rate as pension contributions made to employees. The other Directors who served during the year received no emoluments from Chrysaor Group companies in respect of their services.

The directors did not receive any other remuneration.

The above amounts for remuneration include the following in respect of the highest paid director:

	For the years ended 31 December			*For the six months ended*	
				30 June	*30 June*
	2017	*2018*	*2019*	*2020*	*2019*
	$000	*$000*	*$000*	*$000*	*$000*
Directors' remuneration	495	1,286	1,114	809	696
Payments made in lieu of pension contributions	33	105	101	64	51
Pension costs	6	12	10	4	5
	534	1,403	1,225	877	752

9. Income Tax

The major components of income tax expense/(credit) are:

	For the years ended 31 December			*For the six months ended*	
				30 June	*30 June*
	2017	*2018*	*2019*	*2020*	*2019*
	$000	*$000*	*$000*	*$000*	*$000*
Current income tax expense/(credit):					
UK corporation tax	6,033	1,977	105,076	214,847	(145)
Overseas tax	—	(5,534)	(11,779)	(11,273)	(6,590)
Adjustments in respect of prior years	—	(1,008)	1,521	7,383	—
Total current income tax expense/(credit)	6,033	(4,565)	94,818	210,957	(6,735)
Deferred tax expense/(credit):					
UK corporation tax	(264,560)	229,327	155,234	(282,074)	158,262
Overseas tax	—	(312)	2,170	8,708	235
Adjustments in respect of prior years	—	(14,949)	(15,511)	(7,362)	(2,435)
Total deferred tax expense/(credit)	(264,560)	214,066	141,893	(280,728)	156,062
Tax expense/(credit) in the income statement	(258,527)	209,501	236,711	(69,771)	149,327
The tax expense/(credit) in the income statement is disclosed as follows:					
Income tax expense/(credit) on continuing operations	(258,527)	209,501	236,711	(69,771)	149,327
	(258,527)	209,501	236,711	(69,771)	149,327

A reconciliation between total tax charge/(credit) and the accounting profit multiplied by the standard rate of corporation tax and supplementary charge applying to UK oil and gas production operations for the years ended 31 December 2019, 2018 and 2017 and the six month periods ended 30 June 2020 and 2019 is as follows:

	For the years ended 31 December			*For the six months ended*	
				30 June	*30 June*
	2017	*2018*	*2019*	*2020*	*2019*
	$000	*$000*	*$000*	*$000*	*$000*
Profit/(loss) before taxation	471	578,401	455,558	(224,222)	323,705
Chrysaor Group profit/(loss) before taxation at 40.0% weighted average	188	231,128	182,224	(89,689)	129,482
Effects of:					
Expenses not deductible for tax purposes	16,989	17,282	13,143	28,918	18,567
Interest not deductible for supplementary charge	—	9,411	9,544	4,135	4,728
Adjustments in respect of prior years		(15,956)	(13,990)	21	(2,575)
Income not taxable	—	—	—	(5)	—
Ring fence expenditure supplement	(44,119)	(24,877)	—	—	—
Movement in unrecognised deferred tax assets	(234,853)	2,877	29,231	3,507	2,361
Impact of profits/(losses) relieved at different rates	2,909	17,714	43,514	(1,931)	9,854
Investment allowance	(395)	(28,078)	(27,150)	(13,009)	(13,090)
Petroleum revenue tax (net of corporation tax)	—	—	—	(1,656)	—
Changes in tax rates	(615)	—	—	—	—
Currency translation adjustment	1,305	—	195	(62)	—
Other	64	—	—	—	—
Total tax expense/(credit) reported in the consolidated income statement	(258,527)	209,501	236,711	(69,771)	149,327

The origination of and reversal of temporary differences are, as shown in the next table, related primarily to movement in the carrying amounts and tax base values of expenditure and Chrysaor Group losses for the current and prior periods and the timing of when these items are charged and/ or credited against accounting and taxable profit.

Deferred tax

Deferred tax is presented net on the Chrysaor Group balance sheet is as follows:

	Accelerated Capital Allowances $000	*Abandonment $000*	*Losses $000*	*Fair value on derivatives $000*	*Other $000*	*Total $000*
As at 1 January 2017	(9)	—	21,678	—	—	21,669
Deferred tax (expense)/ credit	(314,230)	5,015	573,775	—	—	264,560
Comprehensive income	—	—	—	29,164	—	29,164
Acquisition accounting	(1,382,599)	692,600	—	—	—	(689,999)
As at 31 December 2017	(1,696,838)	697,615	595,453	29,164	—	(374,606)
Deferred tax (expense)/ credit	212,560	(121,527)	(337,842)	—	32,743	(214,066)
Comprehensive (loss)	—	—	—	(179,584)	(3,468)	(183,052)
Acquisition accounting	(8,198)	11,176	—	—	—	2,978
As at 31 December 2018	(1,492,476)	587,264	257,611	(150,420)	29,275	(768,746)
Deferred tax credit/ (expense)	138,882	11,848	(255,651)	—	(36,972)	(141,893)
Comprehensive (loss)/ income	(20,061)	15,647	—	21,625	5,044	22,255
Acquisition accounting	(1,790,753)	974,065	—	—	55,782	(760,906)
As at 31 December 2019	(3,164,408)	1,588,824	1,960	(128,795)	53,129	(1,649,290)
Deferred tax credit/ (expense)	365,445	(92,791)	255	(1,481)	9,300	280,728
Comprehensive (loss)	—	—	—	(210,167)	—	(210,167)
Foreign exchange	88,554	(70,976)	(186)	1,185	(4,579)	13,998
As at 30 June 2020	(2,710,409)	1,425,057	2,029	(339,258)	57,850	(1,564,731)

Deferred tax assets are recognised to the extent that the future benefit from the underlying tax losses carried forward is probable. Relevant tax law is considered as to the availability of the tax losses to offset future income. To determine the future taxable income from which the losses may be deducted, reference was made to the profit forecasts for the Chrysaor Group as at 30 June 2020. These profit forecasts showed sufficient future taxable income to recognise the deferred tax asset.

The Norwegian related tax losses are not expected to be recovered within the next twelve months. Companies operating on the Norwegian Continental Shelf under the offshore tax regime can claim the tax value of any unused tax losses or other tax credits related to its offshore activities to be paid in cash (including interest) from the tax authorities when operations cease. Deferred tax assets that are based on offshore tax losses carried forward are therefore normally recognised in full. There is no time limit on the right to carry tax losses forward in Norway.

The Chrysaor Group has tax losses, mainly from non-ring fence activities, of US$135.6 million (2019: US$132.4 million), a portion of which may potentially be available for offset against future taxable profits in the companies in which the losses arose. An associated deferred tax asset of US$28.0 million (2019: US$27.7 million) has not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Chrysaor Group due to uncertainty of recovery. The Chrysaor Group has recognised a deferred tax asset of US$2.0 million (2019: US$2.0 million) in relation to tax losses only to the extent of anticipated future taxable profits.

The Chrysaor Group has not recognised a deferred tax asset of US$5.6m (2019: US$2.8m) in relation to accelerated capital allowances, or a deferred tax asset of US$0.8 million (2019: nil) in relation to fair value movements on derivatives, on the basis that these deferred tax assets will not be recoverable in the foreseeable future.

Changes in tax rate

Legislation introduced in Finance Bill 2020, which was substantively enacted on 17 March 2020, retained the main rate of UK corporation tax for non-ring fence profits at 19 per cent. from 1 April 2020. This has no material impact on the Chrysaor Group.

10. Goodwill

	As at 31 December			*As at 30 June*
Group	*2017*	*2018*	*2019*	*2020*
Cost:	*$000*	*$000*	*$000*	*$000*
At start of period	—	500,080	493,084	1,404,334
Additions (note 15)	498,978	2,943	908,359	—
Impairment charge	—	—	—	(55,735)
Finalisation of 2017 business combination (note 15)	—	(5,463)	—	—
Currency translation adjustment	1,102	(4,476)	2,891	(4,983)
At end of period	500,080	493,084	1,404,334	1,343,616

Goodwill represents the difference between the aggregate of the fair value of purchase consideration transferred at the acquisition date and the fair value of the identifiable assets.

The goodwill balance arose on the acquisition of UK North Sea assets from Shell which completed on 1 November 2017 (US$493.5 million) and on the acquisition of additional equity in the Armada, Maria and Seymour fields from Spirit Energy which completed on 1 June 2018 (US$2.9 million). The goodwill balance in 2019 of US$908.4 million arose on the acquisition of the ConocoPhillips UK business which completed on 30 September 2019. See note 15 for further details.

Goodwill acquired through business combinations has been allocated to a single CGU, the UK Continental Shelf ("**UKCS**"), and this is therefore the lowest level at which goodwill is reviewed.

Impairment Testing of Goodwill

In accordance with 'IAS 36: Impairment of Assets', goodwill has been reviewed for impairment at the year-end. In assessing whether goodwill has been impaired, the carrying amount of the CGU for goodwill is compared with its recoverable amount.

The Chrysaor Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. At each year-end, and at 30 June 2020, the Chrysaor Group tested for impairment in accordance with accounting policy. No impairment had been identified in the financial years ended 31 December 2017-2019. At 30 June 2020, following changes to the Chrysaor Group's long-term commodity price assumptions linked to the significant deterioration in the macroeconomic environment for the oil and gas industry, a goodwill impairment of US$55.7 million was recognised.

Determining Recoverable Amount

The recoverable amounts of the CGU and fields have been determined on a fair value less costs to sell basis. The key assumptions used in determining the fair value are often subjective, such as the future long-term oil price assumption, or the operational performance of the assets. Discounted cash flow models comprising asset-by-asset life of field projections using Level 3 inputs (based on IFRS 13 fair value hierarchy) have been used to determine the recoverable amounts. The cash flows at 30 June 2020 have been modelled on a post-tax and post-decommissioning basis at the Chrysaor Group's post-tax discount rate of 6 per cent. (2019: 6 per cent.; 2018: 6 per cent.; 2017: 6 per cent.). Risks specific to assets within the CGU are reflected within the cash flow forecasts. Risks specific to assets within the CGU are reflected within the cash flow forecasts.

Key Assumptions Used in Calculations

Assumptions involved in impairment measurement include estimates of reserves and production volumes, future oil and gas prices, discount rates and the level and timing of expenditures, all of which are inherently uncertain.

Oil and gas prices are based on an internal view of management expectations derived from external financial analysts view of current prices for the first three years transitioning to a flat long term price from 2023 – the long-term commodity prices used were US$60 per barrel for crude and 45p per therm for gas. Management's long-term assumptions are benchmarked against a range of external forward price curves on a regular basis. Individual field price differentials are then applied.

Production volumes are based on life of field production profiles for each asset within the CGU. Proved plus probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Chrysaor Group's oil and gas assets. The Chrysaor Group estimates its reserves using standard recognised evaluation techniques and is assessed at least annually by management and by an independent consultant. Proved plus probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices.

Operating expenditure, capital expenditure and decommissioning costs are derived from the Chrysaor Group's Business Plan.

The discount rate reflects management's estimate of the Chrysaor Group's Weighted Average Cost of Capital ("**WACC**"), considering both debt and equity. The cost of equity is derived from an expected return on investment by the Chrysaor Group's investors, and the cost of debt is based on its interest-bearing borrowings. Segment risk is incorporated by applying a beta factor based on publicly available market data. The discount rate is based on an assessment of a relevant peer group's post-tax WACC.

Foreign exchange rates are based on management's long-term rate assumptions, with reference to a range of underlying economic indicators.

Sensitivity to Changes in Assumptions Used in Calculations

The Chrysaor Group has run sensitivities on its long-term commodity price assumptions, which have been based on long range forecasts from external financial analysts, using alternate long-term price assumptions and discount rates. These are considered to be reasonably possible changes for the purposes of sensitivity analysis. Sensitivity analysis indicates that a 10 per cent. reduction in the oil and gas price deck applied in the impairment test would result in a further impairment to goodwill of US$666.6 million, and a 2 per cent. increase in the discount rate would result in a further impairment to goodwill of US$222.3 million.

11. Other Intangible Assets

Cost:	*Oil and gas assets $000*	*Non-oil and gas assets $000*	*Capacity rights $000*	*Total $000*
At 1 January 2017	7,280	293	—	7,573
Additions	8,818	13,301	—	22,119
Additions from business combinations and joint arrangements (note 15)	25,935	—	10,029	35,964
Unsuccessful exploration written-off	(7,276)	—	—	(7,276)
Currency translation adjustment	776	291	419	1,486
At 31 December 2017	35,533	13,885	10,448	59,866
Additions	28,196	7,956	—	36,152
Unsuccessful exploration written-off	(10,731)	—	—	(10,731)
Currency translation adjustment	(455)	(1,029)	(814)	(2,298)
At 31 December 2018	52,543	20,812	9,634	82,989
Additions	81,792	12,773	—	94,565
Additions from business combinations and joint arrangements (note 15)	325,880	4,912	—	330,792
Transfers to property, plant & equipment	(39,002)	—	—	(39,002)
Unsuccessful exploration written-off	(222)	—	—	(222)
Currency translation adjustment	4,262	1,476	374	6,112
At 31 December 2019	425,253	39,973	10,008	475,234
Additions	44,763	33,362	—	78,125
Transfers from property, plant and equipment	33,273	—	—	33,273
Reduction in decommissioning asset	(5,295)	—	—	(5,295)
Disposals	(75)	—	—	(75)
Unsuccessful exploration written-off	(38,851)	—	—	(38,851)
Currency translation adjustment	(19,219)	(2,982)	(645)	(22,846)
At 30 June 2020	439,849	70,353	9,363	519,565
Accumulated Amortisation:				
At 1 January 2017	—	281	—	281
Charge for the year	—	10	606	616
Currency translation adjustment	—	(53)	—	(53)
At 31 December 2017	—	238	606	844
Charge for the year	—	6,237	2,797	9,034
Currency translation adjustment	—	(265)	(155)	(420)
At 31 December 2018	—	6,210	3,248	9,458
Charge for the year	—	9,275	2,097	11,372
Currency translation adjustment	—	592	208	800
At 31 December 2019	—	16,077	5,553	21,630
Charge for the period	—	6,526	870	7,396
Currency translation adjustment	—	(1,197)	(383)	(1,580)
At 30 June 2020	—	21,406	6,040	27,446
Net book value				
At 30 June 2020	439,849	48,947	3,323	492,119
At 31 December 2019	425,253	23,896	4,455	453,604
At 31 December 2018	52,543	14,602	6,386	73,531
At 31 December 2017	35,533	13,647	9,842	59,022

Exploration costs written-off relates to costs associated with licence relinquishments and uncommercial well evaluations.

Non-oil and gas assets relate to expenditure on the Acorn project, a project focussed on carbon dioxide (CO_2) capture and storage which is planned to use existing technology to this new area of application. The costs are held within intangible assets until an assessment of its economic commerciality is determined.

The capacity rights represent National Transmission System ("**NTS**") entry capacity at Bacton and Teesside acquired as part of the business combination completed in 2017. These rights have a remaining useful life of three years and are amortised on a contractual volume basis.

12. Property, Plant and Equipment

	Oil and gas assets $000	*Fixtures and fittings & office equipment $000*	*Total $000*
Cost:			
At 1 January 2017	—	316	316
Additions	35,494	9,052	44,546
Additions from business combinations and joint arrangements (note 15)	4,280,359	—	4,280,359
Currency translation adjustment	10,783	384	11,167
At 31 December 2017	4,326,636	9,752	4,336,388
Additions	370,124	3,590	373,714
Additions from business combinations and joint arrangements (note 15)	20,495	—	20,495
Reduction in decommissioning asset	(299,543)	—	(299,543)
Currency translation adjustment	19,385	(625)	18,760
At 31 December 2018	4,437,097	12,717	4,449,814
Additions	480,448	4,999	485,447
Additions from business combinations and joint arrangements (note 15)	4,248,567	2,606	4,251,173
Reduction in decommissioning asset	(4,327)	—	(4,327)
Transfer of intangible assets	39,002		39,002
Currency translation adjustment	57,532	832	58,364
At 31 December 2019	9,258,319	21,154	9,279,473
Additions	236,525	2,150	238,675
Reduction in decommissioning asset	(189,620)	—	(189,620)
Transfer of intangible assets	(33,273)	—	(33,273)
Currency translation adjustment	(224,870)	(1,434)	(226,304)
At 30 June 2020	9,047,081	21,870	9,068,951
Accumulated Depreciation:			
At 1 January 2017	—	257	257
Charge for the year	98,971	1,260	100,231
Currency translation adjustment	(12)	120	108
At 31 December 2017	98,959	1,637	100,596
Charge for the year	617,024	3,096	620,120
Currency translation adjustment	59	(184)	(125)
At 31 December 2018	716,042	4,549	720,591
Charge for the year	889,226	4,905	894,131
Currency translation adjustment	7,873	348	8,221
At 31 December 2019	1,613,141	9,802	1,622,943
Charge for the period	696,504	3,077	699,581
Impairment charge	250,629		250,629
Currency translation adjustment	(22,718)	(697)	(23,415)
At 30 June 2020	2,537,556	12,182	2,549,738
Net book value:			
At 30 June 2020	6,509,525	9,688	6,519,213
At 31 December 2019	7,645,178	11,352	7,656,530
At 31 December 2018	3,721,055	8,168	3,729,223
At 31 December 2017	4,227,677	8,115	4,235,792

During the six-month period to 30 June 2020, the Chrysaor Group recognised a net pre-tax impairment charge of US$250.6 million (post-tax US$150.5 million) within the income statement. This represents a write-down of US$340.4 million on the Chrysaor Group's older gas assets as a result of the Chrysaor Group's revised view of long-term commodity prices, and a pre-tax impairment credit of (US$89.8 million) in respect of reductions to decommissioning estimates on the Chrysaor Group's non-producing assets (see note 21). No impairment charges were recognised in either of the years ended 31 December 2019, 2018 and 2017.

The Chrysaor Group uses the fair value less cost of disposal method ("**FVLCD**") to calculate the recoverable amount of the CGU consistent with a level 3 fair value measurement. In determining FVLCD, appropriate discounted-cash-flow valuation models were used, incorporating market-based assumptions. Oil and gas prices are based on an internal view of management expectations derived from external financial analysts view of current prices for the first three years transitioning to a flat long term price from 2023 – the long-term commodity prices used were US$60 per barrel for crude and 45p per therm for gas.

A reduction or increase in oil and gas prices of 10 per cent. are considered to be reasonably possible changes for the purpose of sensitivity analysis. Decreases to oil and gas prices specified above would result in a further post-tax impairment of US$117.1 million. A 10 per cent. rise in the oil and gas price deck would lead to a reduction in the post-tax impairment of US$132.4 million. Considering the discount rates, a 2 per cent. decrease in the post-tax rate would lead to a further post-tax impairment of US$35.3 million, whereas a 2 per cent. increase in the post-tax rate would lead to a reduction in the post-tax impairment of US$34.1 million. The Chrysaor Group believes a 2 per cent. change in the pre-tax discount rate to be a reasonable possibility for the purpose of sensitivity analysis. The impairment was calculated as detailed above.

A decrease in the decommissioning assets of US$189.6 million was made during the six-month period to 30 June 2020 (Dec 2019: US$4.3 million; Dec 2018: US$299.5 million; Dec 2017: nil) as a result of an update to the decommissioning estimates (note 21).

Further information on additions from business combinations and joint arrangements can be found in note 15.

13. Leases – Right of Use Assets

(i) This note provides information for leases where the Chrysaor Group is a lessee.

	As at 31 December			*As at 30 June*
	2017	*2018*	*2019*	*2020*
Right of Use Assets	*$000*	*$000*	*$000*	*$000*
Land and buildings	—	—	58,092	54,299
Drilling rigs	—	—	159,945	87,666
Equipment	—	—	3,186	2,051
	—	—	221,223	144,016

Prior to 1 January 2019, the Chrysaor Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17, 'Leases'.

	As at 31 December			*As at 30 June*
	2017	*2018*	*2019*	*2020*
Lease Liabilities	*$000*	*$000*	*$000*	*$000*
Current	—	—	79,525	53,782
Non-Current	—	—	145,403	96,384
	—	—	224,928	150,166

During the six months to 30 June 2020, a lease liability in relation to the *Transocean 712* drilling rig was terminated, resulting in a gain of US$0.6 million. In addition, a cost revision to the right-of-use asset and lease liability was made, resulting in reductions of US$10.0 million.

There were no additions to the right-of-use assets during the six months to 30 June 2020 (Dec 2019: US$226.4 million

(ii) The consolidated income statement includes the following amounts relating to leases:

Depreciation charge of Right of Use Assets

	For the years ended 31 December			*For the six months ended*	
				30 June	*30 June*
	2017	*2018*	*2019*	*2020*	*2019*
	$000	*$000*	*$000*	*$000*	*$000*
Land and buildings	—	—	3,244	3,644	1,149
Drilling rigs	—	—	16,585	27,576	—
Equipment	—	—	378	697	—
	—	—	20,207	31,917	1,149
Capitalisation of IFRS16 lease depreciation					
Drilling rigs	—	—	(8,580)	(14,991)	—
Equipment	—	—	(115)	(435)	—
Depreciation charge included within Consolidated Income Statement	—	—	11,512	16,491	1,149

Of the US$15.4 million capitalised IFRS16 lease depreciation, US$8.2 million (2019: US$3.9 million) has been capitalised within property, plant and equipment and US$7.2 million within provisions (2019: US$4.8 million).

	For the years ended 31 December			*For the six months ended*	
				30 June	*30 June*
	2017	*2018*	*2019*	*2020*	*2019*
	$000	*$000*	*$000*	*$000*	$000
Lease interest (included in finance expenses – note 7)	—	—	2,541	3,853	570

The total cash outflow for leases in the six-month period to 30 June 2020 was US$32.6 million (Dec 2019: US$20.6 million; June 2019: US$0.5 million; Dec 2018: nil; Dec 2017: nil).

(iii) The Chrysaor Group's leasing activities and how these are accounted for

The Chrysaor Group leases an office in London until 2023, in Oslo for a fixed period of five years, and two offices in Aberdeen with fixed periods of five and 10 years. The five-year lease on the Aberdeen office has an extension option of up to 10 years. Land leases expire between 13 and 14 years, and oil and gas production leases expire between 2 and 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Until the 2018 financial year, these leases were classified as operating leases and payments made under these leases (net of any incentives received from the lessor) were charged to the income statement on a straight-line basis over the period of the lease.

From 1 January 2019, leases have been recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Chrysaor Group. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis reflecting the net present value of the fixed lease payments and amounts expected to be payable by the Chrysaor Group assuming leases run to full term. The Chrysaor Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Chrysaor Group is reasonably certain to exercise such options impacts the lease term, which significantly impacts the amount of lease liabilities and right-of-use assets recognised.

The lease payments are discounted using the Chrysaor Group's incremental borrowing rate, being the rate that the Chrysaor Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Chrysaor Group where possible:

- uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- makes adjustments specific to the lease, for example term, country, currency and security

The Chrysaor Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

14. Investments and Amounts Due from Subsidiary Undertakings

At 30 June 2020, the subsidiary undertakings of Chrysaor which were all wholly owned were:

Name of company	*Country of incorporation*	*Main activity*
Chrysaor E&P Limited	UK	Holding company
Chrysaor Production Holdings Limited (i)	UK	Holding company
Chrysaor Resources (UK) Holdings Limited (i)	UK	Holding company
Chrysaor E&P Finance Limited (i)	UK	Financing company
Chrysaor E&P Services Limited (i)	UK	Service company
Chrysaor North Sea Limited (i)	UK	Oil and gas
Chrysaor Limited (i)	UK	Oil and gas
Chrysaor CNS Limited (i)	UK	Oil and gas
Chrysaor Norge AS (i)	Norway	Oil and gas
Chrysaor Resources (Irish Sea) Limited (ii)	UK	Oil and gas
Chrysaor Marketing Limited (i)	UK	Dormant company
Chrysaor Production Limited (iii)	UK	Holding company
Chrysaor Production (U.K.) Limited (v)	UK	Oil and gas
Chrysaor Petroleum Company U.K. Limited (iii)	UK	Oil and gas
Chrysaor (U.K.) Theta Limited (vii)	UK	Oil and gas
Chrysaor (U.K.) Alpha Limited (vi)	UK	Oil and gas
Chrysaor (U.K.) Beta Limited (xi)	UK	Oil and gas
Chrysaor Developments Limited (vi)	UK	Oil and gas
Chrysaor Petroleum Limited (vi)	UK	Oil and gas
Chrysaor (U.K.) Sigma Limited (viii)	UK	Oil and gas
Chrysaor (Glen) Limited (vi)	UK	Non-trading
Chrysaor (U.K.) Zeta Limited (vi)	UK	Non-trading holding company
Chrysaor (U.K.) Eta Limited (x)	UK	Non-trading
Chrysaor (U.K.) Delta Limited (vi)	UK	Non-trading holding company
Chrysaor Supply and Trading Limited (iii)	UK	Non-trading
Chrysaor (U.K.) Lambda Limited (ix)	ROI	Dormant company
Chrysaor Investments Limited (vi)	UK	Dormant company
Chrysaor Production Oil (GB) Limited (iv)	UK	Dormant company
Chrysaor Petroleum Chemicals U.K. Limited (iv)	UK	Dormant company
Chrysaor (U.K.) Britannia Limited (vi)	UK	Dormant company

(i) Held by Chrysaor E&P Limited
(ii) Held by Chrysaor Resources (UK) Holdings Limited
(iii) Held by Chrysaor Production Holdings Limited
(iv) Held by Chrysaor Petroleum Company U.K. Limited
(v) Held by Chrysaor Production Limited
(vi) Held by Chrysaor Production (U.K.) Limited
(vii) Held by Chrysaor (U.K.) Sigma Limited
(viii) 98.04 per cent. held by Chrysaor Production (U.K.) Limited and 1.96 per cent. held by Chrysaor (U.K.) Delta Limited
(ix) 99.999 per cent. held by Chrysaor (U.K.) Theta Limited and 0.001 per cent. held by Chrysaor (U.K.) Eta Limited
(x) Held by Chrysaor (U.K.) Zeta Limited
(xi) Held by Chrysaor (U.K.) Alpha Limited

Chrysaor holds 100 per cent. of the share capital and voting rights in each of the companies above, unless otherwise stated.

All the subsidiaries are registered in England and Wales, with the exception of Chrysaor Norge AS, which is registered in Norway, and Chrysaor (U.K.) Lambda Limited, which is registered in the Republic of Ireland. The registered office of all subsidiaries noted above is Brettenham House, Lancaster Place, London, United Kingdom, WC2E 7EN, apart from Chrysaor Norge AS whose registered office is Haakon VII's gate 1, 4th Floor, 0161 Oslo, Norway, and Chrysaor (U.K.) Lambda Limited whose registered office is Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland.

15. Business Combinations and Acquisition of Interests in Joint Arrangements

Business Combinations During the Year Ended 31 December 2019

In April 2019, Chrysaor entered into an agreement to acquire the ConocoPhillips UK business for a headline consideration of US$2.675 billion, comprising cash consideration of US$2.43 billion and novation of an intercompany loan of US$0.25 billion.

The transaction completed on 30 September 2019 and adds two new operated hubs to Chrysaor's portfolio in the UK Central North Sea, Greater Britannia Area and J-Area, in addition to a non-operated interest in the Clair Field area. The fair values of the net identifiable assets acquired from the transaction are as follows:

	Total *$000*
Exploration, evaluation and other intangible assets	330,792
Property, plant and equipment – oil and gas assets	4,248,567
Property, plant and equipment – non-oil and gas assets	2,606
Property, plant and equipment – right of use assets	206,978
Total fixed assets	4,788,943
Inventories	54,203
Cash	247,034
Trade and other receivables	223,884
Trade and other payables	(324,830)
Deferred tax	(760,906)
Provision for decommissioning	(2,408,211)
IFRS16 lease liabilities	(206,978)
Fair value of identifiable net assets acquired	1,613,139
Cash consideration	2,430,049
Additional completion adjustments	91,449
Total consideration	2,521,498
Goodwill Recognised	908,359

In November 2019, US$38.2 million of additional completion adjustments were paid to ConocoPhillips, representing the first of four annual payments to be made during 2019 to 2022.

Acquisition related costs of US$7.6 million were incurred during 2019 and recognised as an expense within General and Administrative costs.

The cash consideration was funded from existing cash resources and additional RBL funding of US$1.68 billion from the upsized US$3 billion debt facility.

In September 2019, the ConocoPhillips UK business lent US$0.25 billion to ConocoPhillips. At completion of the acquisition of the ConocoPhillips UK business, the loan liability of US$0.25 billion was novated from ConocoPhillips to Chrysaor E&P Limited, reducing the cash required on completion by US$0.25 billion.

Goodwill of US$908.4 million, which has arisen principally due to the requirement to recognise deferred tax on the difference between the assigned fair values and the tax bases of assets and liabilities acquired in a business combination, was recognised on the acquisition, representing the excess of the total consideration transferred over the fair value of the net assets acquired. The fair values for the oil and gas assets recognised as property, plant and equipment were determined by reference to commodity forward price curves for the first three years following the acquisition date and, for subsequent years, based on a market consensus. None of the goodwill is deductible for corporation tax.

From the date of acquisition, the business contributed US$264.6 million of revenue and (US$88 million) to the profit before tax from continuing operations of the Chrysaor Group. Had the acquisition been affected at 1 January 2019, the business would have contributed revenue of US$1.0 billion in the year to 31 December 2019, and US$32.4 million of a loss towards profit before taxation.

As at the date of this report and financial statements, pursuant to the terms of the Put and Call Options Agreement ("**PCOA**"), negotiations were ongoing as to the final consideration payable as a result of the review of the interim and pre-effective date period transactions.

Business Combinations During the Year Ended 31 December 2018

On 1 June 2018, the Chrysaor Group acquired the remaining equity in Armada, Maria and Seymour fields from Spirit Energy and so now holds 100 per cent. in the Armada hub. The fair values of the net identifiable assets acquired from the transaction are as follows:

	Total *$000*
Property, plant and equipment – oil and gas assets	20,495
Inventories	85
Trade and other receivables	6,936
Trade and other payables	(5,136)
Deferred tax	2,978
Provision for decommissioning	(27,941)
Fair value of identifiable net liabilities acquired	(2,583)
Cash consideration	360
Goodwill recognised	2,943

From the date of acquisition, the business contributed US$13.8 million of revenue and US$1.3 million of a loss to the profit before taxation from continuing operations of the Chrysaor Group. Had the acquisition been affected at 1 January 2018, the business would have contributed revenue of US$22.3 million in the year to 31 December 2018, and US$4.3 million of a loss towards profit before taxation.

Business combinations during the year ended 31 December 2017

In January 2017, the Chrysaor Group signed an agreement to acquire a package of assets in the UK North Sea from Shell for a price of approximately US$3.0 billion with further payments between the two companies contingent upon future exploration results and commodity prices.

The transaction completed on 1 November 2017 and comprised the direct acquisition of interests in certain joint operations and the acquisition of 100 per cent. of the issued share capital of the former Shell entity, BG International (CNS) Limited. The fair values of the net identifiable assets acquired from the transaction are as follows:

	Joint Operations $000	*BGI CNS Limited $000*	*Total $000*
Exploration, evaluation and other intangible assets	25,935	10,029	35,964
Property, plant and equipment – oil and gas assets	3,688,543	591,816	4,280,359
Inventories	100,951	22,996	123,947
Trade and other receivables	36,685	30,930	67,615
Trade and other payables	(118,759)	(46,768)	(165,831)
Deferred tax	(614,031)	(76,272)	(689,999)
Provision for decommissioning	(1,313,400)	(418,100)	(1,731,500)
Fair value of identifiable net assets acquired	1,805,924	114,631	1,920,555
Cash consideration	1,977,881	197,230	2,175,111
Deferred consideration	213,612	—	213,612
Contingent consideration	25,347	—	25,347
Total consideration	2,216,840	197,230	2,414,070
Goodwill recognised	410,916	82,599	493,515
Finalisation of 2017 acquisition			
As reported at 31 December 2017			
Fair value of identifiable net assets acquired	1,786,394	115,889	1,902,283
Total consideration	2,207,552	193,709	2,401,261
Goodwill recognised	421,158	77,820	498,978
Movement in the year ended 31 December 2018			
Fair value of identifiable net assets acquired	19,530	(1,258)	18,272
Total consideration	9,288	3,521	12,809
Goodwill recognised	(10,242)	4,779	(5,463)

Acquisition related costs of US$5.5 million were incurred during 2017 and recognised as an expense within operating costs.

The cash consideration included a US$100 million advance by a private equity investor of Chrysaor on behalf of the Chrysaor Group, the amount was subsequently settled with the shareholder by the issuance of loan notes. A final payment of US$12.8m was made and the value of trade and other payables was reduced by US$18.3 million following full and final settlement with Shell in August 2018. The numbers in the table above have been updated for these changes and goodwill reduced by US$5.5 million. The deferred consideration represented US$215 million payable to the seller no later than six months following the acquisition date and was included in the consideration transferred at a discounted value. The US$215 million was settled in April 2018.

The transaction included provisions for additional payments to the sellers of up to US$600 million and refundable from the sellers of up to US$100 million, dependent on future commodity prices over the four-year period ended 31 December 2021. These contingent payments and receipts represent derivative instruments. The contingent consideration transferred included an amount of

US$17.6 million, representing an estimate of the fair value of these derivative instruments at the acquisition date. The contingent consideration also included an amount of US$7.7 million, representing the estimated fair value of additional payments to the sellers which are dependent upon future exploration results. Contingent consideration balances are assessed at each reporting date with any change in the valuation reported through the income statement.

Goodwill of US$493.5 million, which has arisen principally due to the requirement to recognise deferred tax on the difference between the assigned fair values and the tax bases of assets and liabilities acquired in a business combination, was recognised on the acquisition, representing the excess of the total consideration transferred over the fair value of the net assets acquired. The fair values for the oil and gas assets recognised as property, plant and equipment were determined by reference to commodity forward price curves for the first three years following the acquisition date and, for subsequent years, based on a market consensus. None of the goodwill is deductible for corporation tax.

The consolidated results of the Chrysaor Group for the year ended 31 December 2017 included revenue of US$313.5 million and an estimated operating profit of US$50 million attributable to the acquired businesses. Prior to the acquisition, the Chrysaor Group had no revenues. The acquisition substantially consisted of the purchase of individual assets that had never been held together in the same corporate entity. For this reason, the Chrysaor Group does not hold the historic financial information to be able to determine a reliable estimate of what the results of the Chrysaor Group would have been had the acquisition occurred at the beginning of the accounting period.

16. Inventories

	As at 31 December			*As at 30 June*
	2017 *$000*	*2018* *$000*	*2019* *$000*	*2020* *$000*
Hydrocarbons	18,295	17,972	35,170	36,954
Consumables and subsea supplies	73,268	71,819	111,711	116,090
	91,563	89,791	146,881	153,044

Hydrocarbon inventories are measured at net realisable value. Inventories of consumables and subsea supplies include a provision of US$9.6 million (Dec 2019: US$9.7 million; Dec 2018: US$2.2 million; Dec 2017: US$0.2 million) where it is considered that the net realisable value is lower than the original cost.

Inventories recognised as an expense during the six months to 30 June 2020 amounted to US$1.8 million (year ended 31 December 2019: US$8.1 million; six months ended 30 June 2019: US$0.4 million; year ended 31 December 2018: US$3.5 million; year ended 31 December 2017: US$1.7 million). These expenses are included within production costs.

17. Trade and Other Receivables

Current	*As at 31 December 2017 $000*	*2018 $000*	*2019 $000*	*As at 30 June 2020 $000*
Trade debtors	159,637	66,548	186,593	131,906
Under-lift position	60,735	18,646	34,358	37,050
Other debtors	23,190	29,625	177,072	86,661
Prepayments and accrued income	14,937	112,086	60,417	13,815
Corporation tax receivable	—	4,625	15,678	—
	258,499	231,530	474,118	269,432

Trade debtors are non-interest bearing and are generally on 20 to 30 days' terms. As at 30 June 2020, there were no credit loss provisions (2019: nil; 2018: nil; 2017: nil).

Other debtors mainly relate to amounts due from joint venture partners.

The carrying value of the trade and other receivables are equal to their fair value as at the balance sheet date.

Non-Current	*As at 31 December 2017 $000*	*2018 $000*	*2019 $000*	*As at 30 June 2020 $000*
Other receivables	—	—	2,604	2,871
	—	—	2,604	2,871

18. Cash and Cash Equivalents

	As at 31 December 2017 $000	*2018 $000*	*2019 $000*	*As at 30 June 2020 $000*
Cash at bank and in hand	299,541	316,311	573,182	369,391

Cash at bank earns interest at floating rates based on daily bank deposit rates. The Chrysaor Group only deposits cash with major banks of high-quality credit standing.

19. Commitments

Capital Commitments

As at 30 June 2020, the Chrysaor Group had commitments for future capital expenditure amounting to US$359.0 million (Dec 2019: US$420.5 million; Dec 2018 US$445.2 million; Dec 2017 US$344.9 million). Where the commitment relates to a joint arrangement, the amount represents the Chrysaor Group's net share of the commitment. Where the Chrysaor Group is not the operator of the joint arrangement then the amounts are based on the Chrysaor Group's net share of committed future work programmes.

20. Trade and Other Payables

Current	*As at 31 December*			*As at 30 June*
	2017	*2018*	*2019*	*2020 $000*
Trade payables	27,810	22,387	116,221	131,387
Overlift position	47,180	48,212	83,370	25,208
Deferred consideration	214,075	—	—	—
Other payables	7,792	2,191	40,970	79,399
Accruals and deferred income	181,635	223,644	435,875	320,109
	478,492	296,434	676,436	556,103

Amounts owed to Chrysaor Group undertakings are unsecured, interest free and repayable on demand.

Non-Current	*2017 $000*	*2018 $000*	*2019 $000*	*30 June 2020 $000*
Other payables	—	—	52,375	46,420
	—	—	52,375	46,420

Other payables, within both current (US$18.8 million) (2019: US$19.9 million) and non-current (US$37.5 million) (2019: US$39.7 million) 'trade and other payables', includes the present value of additional completion payments payable to ConocoPhillips as part of the acquisition of the ConocoPhillips UK business. The amounts are payable in 3 further instalments between October 2020 and October 2022.

21. Provisions

	Decommissioning provision $000	Other $000	Total $000
At 1 January 2017	—	—	—
Additions from business combinations and joint arrangements (note 15)	1,731,500	7,760	1,739,260
Additions	6,522	—	6,522
Amounts used	(1,124)	—	(1,124)
Unwinding of discount	7,146	—	7,146
Currency translation adjustment	6,908	—	6,908
At 31 December 2017	1,750,952	7,760	1,758,712
Additions from business combinations and joint arrangements (note 15)	27,941	—	27,941
Additions	18,941	—	18,941
Changes in estimates – decrease in decommissioning asset	(299,543)	—	(299,543)
Changes in estimates – credit to income statement	(44,485)	—	(44,485)
Remeasurements	—	(217)	(217)
Amounts used	(21,502)	—	(21,502)
Unwinding of discount	44,285	147	44,432
Currency translation adjustment	(8,545)	—	(8,545)
At 31 December 2018	1,468,044	7,690	1,475,734
Additions from business combinations and joint arrangements (note 15)	2,408,211	—	2,408,211
Additions	28,389	—	28,389
Changes in estimates – decrease to decommissioning asset	(4,327)	—	(4,327)
Remeasurements	—	(7,773)	(7,773)
Amounts used	(46,816)	—	(46,816)
Interest on decommissioning lease	(1,076)	—	(1,076)
Depreciation, depletion & amortisation on decommissioning right-of-use leased asset	(4,821)	—	(4,821)
Unwinding of discount	57,629	83	57,712
Currency translation adjustment	44,587	—	44,587
At 31 December 2019	3,949,820	—	3,949,820
Additions	9,753	27,943	37,696
Changes in estimates – decrease to decommissioning asset	(114,908)	—	(114,908)
Changes in estimates – credit to income statement	(89,760)	—	(89,760)
Amounts used	(82,406)	—	(82,406)
Unwinding of discount	48,465	—	48,465
Currency translation adjustment	(173,787)	—	(173,787)
At 30 June 2020	3,547,177	27,943	3,575,120

Classified within:	*Non-current liabilities $000*	*Current Liabilities $000*	*Total* $000
At 30 June 2020	3,368,416	206,704	3,575,120
At 31 December 2019	3,766,739	183,081	3,949,820
At 31 December 2018	1,475,734	—	1,475,734
At 31 December 2017	1,758,712	—	1,758,712

The Chrysaor Group provides for the estimated future decommissioning costs on its oil and gas assets at the balance sheet date. The payment dates of expected decommissioning costs are uncertain and are based on economic assumptions of the fields concerned. The Chrysaor Group currently expects to incur decommissioning costs over the next 30 years, the majority of which are anticipated to be incurred between the next 10 to 20 years. Decommissioning provisions at 30 June 2020 are discounted at a risk-free rate of between 1.8 per cent. and 2.5 per cent. (Dec 2019: 2.3 per cent. and 2.8 per cent.; Dec 2018: 2.8 per cent.; Dec 2017: 2.5 per cent.) and the unwinding of the discount is presented within finance costs.

These provisions have been created based on internal and third-party estimates. Assumptions based on the current economic environment have been made, which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to consider any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon market prices for the necessary decommissioning work required, which will reflect market conditions at the relevant time. In addition, the timing of decommissioning liabilities will depend upon the dates when the fields become economically unviable, which in itself will depend on future commodity prices, which are inherently uncertain.

Following the acquisition of the Shell and ConocoPhillips UK assets in 2017 and 2019 respectively, an in-depth review of decommissioning cost estimates was undertaken to align financial and strategic assumptions.

Other provisions in the period to 31 December 2019 relate to contingent consideration arrangements with the previous owners of the UK North Sea asset package acquired by the Chrysaor Group in November 2017. The consideration is payable subject to future exploration success on certain prospects before 2025. The provision for contingent consideration represents the best estimate of amounts payable under the purchase agreement as at the balance sheet date and will be reviewed at least annually, considering actual drilling results and planned activities. Changes to the contingent consideration provision will be presented in the income statement on a prospective basis.

Other provisions at 30 June 2020 relate to a provision for an onerous lease contract in respect of long-term standby costs on the *Deepsea Aberdeen* rig, which has been operating within the Schiehallion field, whereby no future approved activities have resulted in the rig potentially remaining on standby until the end of the contract in April 2022.

22. Borrowings and Facilities

The Chrysaor Group's borrowings are carried at amortised cost and denominated in US Dollars.

	2017 *$000*	*2018* *$000*	*2019* *$000*	*30 June 2020* *$000*
Reserves Based Loan facility	1,183,915	464,277	2,067,339	1,439,706
Junior facility	392,326	394,285	395,613	396,014
10% Unsecured C loan notes 2027	28,985	31,886	34,355	30,845
10% Unsecured D loan notes 2027	233,124	256,469	282,151	252,220
10% Unsecured E loan notes 2029	575,983	633,648	—	—
Exploration finance facility	—	—	8,999	11,088
Other loans	—	24,324	34,228	35,284
	2,414,333	1,804,889	2,822,685	2,165,157
Classified within				
Non-current liabilities	2,414,333	1,709,317	2,205,322	2,170,189
Current liabilities	—	95,572	617,363	11,886
	2,414,333	1,804,889	2,822,685	2,182,075
Current assets (deferred fees)	—	—	—	(16,918)
	2,414,333	1,804,889	2,822,685	2,165,157

Interest of US$10.9 million (Dec 2019: US$11.7 million; Dec 2018: US$0.2 million; Dec 2017: US$15.9 million) on the Reserve Based Loan ("**RBL**") and junior facilities had accrued by the balance sheet date and have been classified within accruals and deferred income.

In 2017, the Chrysaor Group entered into a number of borrowing arrangements and facilities to fund the acquisition of the UK North Sea assets. The primary arrangement was an RBL facility of US$1.5 billion, being a six-year facility with a consortium consisting of 17 banks and secured by a pledge over the Chrysaor Group's oil and gas interests in the North Sea. During 2018 the decision was taken to exercise the option of the US$0.5 billion accordion, increasing the facility to US$2.0 billion.

In June 2019, the Chrysaor Group extended the terms of the RBL facility to 31 December 2025 and increased the syndicate to 19 banks and facility size to US$3.0 billion (with an option for a further US$1 billion accordion) in order to assist the financing of the acquisition of the ConocoPhillips UK business. Subject to the maximum size of the facility which reduces every six months on a straight-line basis from 1 January 2022 to the maturity date of 31 December 2025, the amount available under the facility is determined semi-annually based on a valuation of the Chrysaor Group's borrowing base assets under certain forward-looking assumptions. The facility was also amended in June 2019 and now carries interest at USD LIBOR plus a margin of 3.25 per cent., rising to a margin of 3.5 per cent. after four years. Certain fees are also payable including fees on available commitments at 40 per cent. of the applicable margin and commission on letters of credit issued at 50 per cent. of the applicable margin.

The junior facility of US$400 million was extended and amended at the same time as the RBL facility and now carries interest at 6-month USD LIBOR plus a margin of 5.25 per cent., rising to a margin of 5.5 per cent. after four years, and is repayable in semi-annual instalments between 30 June 2022 and 30 June 2026.

During 2019, Chrysaor entered into a NOK 750 million exploration finance facility with Skandinaviska Enskilda Banken in relation to part-financing the exploration activities of Chrysaor Norge AS. At the balance sheet date, the amount drawn down on the facility was NOK 110 million (Dec 2019: NOK 83 million).

In June 2020, certain other amendments were made to the RBL facility in conjunction with the normal redetermination process. No changes were made to the existing US$3.0 billion facility size, but the debt availability grew to US$2.5 billion, to be redetermined now on an annual basis. Other amendments included the revision of certain governance requirements to be in line with peers, and the incorporation of a margin adjustment linked to carbon-emission reductions. The syndication group now stands at 18 banks.

The extensions and amendments made to the senior and junior facilities were such that they were not deemed to be a replacement of the existing Chrysaor Group's borrowing facilities.

Incremental transaction costs of US$53.6 million and US$8 million were incorporated into the initial carrying amount of the RBL and junior facilities respectively, when those facilities were completed in 2017, and a further US$45.1 million and US$0.8 million of transaction costs were capitalised when the terms of the RBL were extended in June 2019 and June 2020 respectively; these amounts are being amortised over the term of the relevant arrangement. During the six months to 30 June 2020 US$7.6 million (Dec 2019: US$15.6 million; Dec 2018: US$17.3 million; Dec 2017: US$2.8 million) of transaction costs have been amortised and are included within financing costs.

At 30 June 2020, the outstanding RBL and junior loan balances excluding incremental transaction costs were US$1,500 million and US$400 million respectively (Dec 2019: US$2,134 million and US$400 million; Dec 2018: US$500 million and US$400 million; Dec 2017: US$1,235 million and US$400 million). At 30 June 2020, the junior facility remained fully drawn and US$1,030 million remained available for drawdown under the RBL facility.

The unsecured loan notes were issued in 2017 and are listed on The International Stock Exchange (formerly the Channel Islands Securities Exchange). They incur interest of 10 per cent. per annum which, at the election of Chrysaor, is capitalised and added to the principal amount each 31 December. The C loan notes and D loan notes rank junior to any senior bank debt. None of the loan notes carry voting rights.

On 31 August 2019, the 10 per cent. Unsecured E Loan notes held by Harbour Energy, with a principal and accrued interest value of US$675.3 million, were exchanged for 4,013,524 F ordinary shares of £0.01 each.

The Chrysaor Group has Letters of Credit facilities of US$528 million (Dec 2019: US$599 million; Dec 2018: US$168 million; Dec 2017: US$175 million) held in respect of future abandonment liabilities.

Other loans represent a commercial financing arrangement with BHGE, covering a 3-year work programme for drilling, completion and subsea tie-in of development wells on Chrysaor's operated assets. As part of the deal, BHGE contribute to the costs of the work programme by funding a portion of the capital expenditure, in exchange for a greater exposure to returns, as well as risks, should certain targets and success criteria, both operational and geological, be met. Interest on this financing arrangement has been calculated using the effective interest method with reference to the expected cash flows, using an estimated reserve case.

The table below details the change in the carrying amount of the Chrysaor Group's borrowings arising from financing cash flows.

	$000
Total borrowings as at 1 January 2017	—
Gross cash inflow from Reserve Based Lending and Junior facility	1,635,000
Transaction costs paid and capitalised	(57,754)
Cash inflow from issue of Loan Notes	694,780
Loan Notes issued for non-cash consideration	128,113
Loan Note interest capitalised	15,199
Accrued transaction costs capitalised	(1,500)
Amortisation of transaction costs	2,820
Currency translation adjustments	(2,325)
Total borrowings as at 31 December 2017	2,414,333
Repayment of senior debt	(735,000)
Proceeds from financing arrangement	20,400
Loan notes interest capitalised	83,911
Other loan interest capitalised	3,924
Amortisation of transaction costs	17,321
Total borrowings as at 31 December 2018	1,804,889
Repayment of senior debt	(200,000)
Proceeds from drawdown of borrowing facilities	1,834,000
Proceeds from financing arrangement	29,600
Proceeds from exploration financing facility	9,275
Conversion of E loan notes to equity	(675,264)
Transaction costs on senior debt paid and capitalised	(45,134)
Transaction costs on exploration financing facility paid and capitalised	(507)
Currency translation adjustments	174
Loan notes interest capitalised	69,767
Financing arrangement interest receivable	(19,696)
Amortisation of transaction costs	15,581
Total borrowings as at 31 December 2019	2,822,685
Proceeds from exploration-financing facility loan	2,596
Repayment of senior debt	(634,000)
Transaction costs capitalised	(765)
Loan notes partial redemption	(46,860)
Financing-arrangement interest payable	1,055
Amortisation of transaction costs capitalised	7,605
Currency translation adjustment on EFF loan	(617)
Currency translation adjustment on transaction costs	39
Loan notes interest capitalised	13,419
Total borrowings as at 30 June 2020	2,165,157

23. Other Financial Assets and Liabilities

The Chrysaor Group held the following financial instruments at fair value. The fair values of all derivative financial instruments are based on estimates from observable inputs and are all level 2 in the IFRS 13 hierarchy, except for the royalty valuation and the Shell contingent consideration, which both include estimates based on unobservable inputs and are level 3 in the IFRS 13 hierarchy.

	As at 31 December						*As at 30 June*	
	2017		*2018*		*2019*		*2020*	
	Assets $000	*Liabilities $000*	*Assets $000*	*Liabilities $000*	*Assets $000*	*Liabilities $000*	*Assets $000*	*Liabilities $000*
Measured at fair value through profit and loss								
Royalty consideration	3.000	—	3.000	—	3.000	—	4.920	—
Commodity derivatives – contingent consideration	—	(18,320)	—	(35,078)	—	(12,495)	—	—
	3,000	(18,320)	3,000	(35,078)	3,000	(12.495)	4,920	—
Measured at fair value through other comprehensive income								
Carbon swaps – cash flow hedges	—	—	—	—	—	—	477	—
Foreign exchange derivatives – cash flow hedges	—	—	—	—	—	—	924	—
Commodity derivatives – cash flow hedges	—	(24,090)	296,049	(31,424)	190,888	(27,950)	608,069	(111)
	—	(24,090)	296.049	(31,424)	190.888	(27,950)	609.470	(111)
Total current	3,000	(42,410)	299.049	(66,502)	193,888	(40.445)	614,390	(111)
Measured at fair value through profit and loss								
Royalty consideration	11,373	—	9,700	—	9,100	—	6,380	—
Commodity derivatives – contingent consideration	—	(20,300)	—	(4,276)	—	—	—	—
	11.373	(20,300)	9,700	(4,276)	9,100	—	6,380	—
Measured at fair value through other comprehensive income								
Commodity derivatives – cash flow hedges	3,300	(52,440)	181,814	(71,210)	193,130	(3,663)	292,150	(9,688)
Interest rate derivatives – cash flow hedges	—	—	—	—	—	—	—	(4,859)
Carbon swaps – cash flow hedges	—	—	—	—	—	—	15.001	—
	3,300	(52,440)	181,814	(71,210)	193,130	(3,663)	307,151	(14,547)
Total non-current	14.673	(72,740)	191.514	(75,486)	202,230	(3,663)	313.531	(14,547)
Total current and non-current	17,673	(115,150)	490,563	(141,988)	396,118	(44,108)	927,921	(14,658)

Fair Value Measurements

All financial instruments that are initially recognised and subsequently re-measured at fair value have been classified in accordance with the hierarchy described in IFRS 13 "Fair Value Measurement". The hierarchy groups fair value measurements into the following levels based on the degree to which the fair value is observable.

Level 1: fair value measurements are derived from unadjusted quoted prices for identical assets or liabilities.

Level 2: fair value measurements include inputs, other than quoted prices included within level 1, which are observable directly or indirectly.

Level 3: fair value measurements are derived from valuation techniques that include significant inputs not based on observable data.

As at 30 June 2020	Financial assets Level 2 $000	Financial assets Level 3 $000	Financial liabilities Level 2 $000	Financial liabilities Level 3 $000
Royalty valuation	—	11,300	—	—
Commodity derivatives – cash flow hedges	900,219	—	(9,799)	—
Foreign exchange derivatives – cash flow hedges	924	—	—	—
Carbon swaps – cash flow hedges	15,478	—	—	—
Interest rate derivatives – cash flow hedges	—	—	(4,859)	—
	916,621	11,300	(14,658)	—

As at 31 December 2019	Financial assets Level 2 $000	Financial assets Level 3 $000	Financial liabilities Level 2 $000	Financial liabilities Level 3 $000
Royalty valuation	—	12,100	—	—
Commodity derivatives – cash flow hedges	384,018	—	(31,613)	—
Commodity derivatives – contingent consideration	—	—	—	(12,495)
	384,018	12,100	(31,613)	(12,495)

As at 31 December 2018	Financial assets Level 2 $000	Financial assets Level 3 $000	Financial liabilities Level 2 $000	Financial liabilities Level 3 $000
Royalty valuation	—	12,700	—	—
Commodity derivatives – cash flow hedges	477,863	—	(102,634)	—
Commodity derivatives – contingent consideration	—	—	—	(39,354)
	477,863	12,700	(102,634)	(39,354)

As at 31 December 2017	Financial assets Level 2 $000	Financial assets Level 3 $000	Financial liabilities Level 2 $000	Financial liabilities Level 3 $000
Royalty valuation	—	14,373	—	—
Commodity derivatives – cash flow hedges	3,300	—	(76,530)	—
Commodity derivatives – contingent consideration	—	—	—	(38,620)
	3,300	14,373	(76,530)	(38,620)

There were no transfers between fair value levels in the year. The movements in the year associated with financial assets and liabilities measured in accordance with level 3 of the fair value hierarchy are shown below:

	Financial assets				*Financial liabilities*			
	2017 $000	*2018 $000*	*2019 $000*	*30 June 2020 $000*	*2017 $000*	*2018 $000*	*2019 $000*	*30 June 2020 $000*
Fair value as at beginning of period	26,542	14,373	12,700	12,100	—	(38,620)	(39,354)	(12,495)
Additions	—	—	—	—	(17,587)	—	—	—
Settlements	(3,000)	(3,000)	(3,000)	(1,080)	—	—	34,058	12,495
Gains and losses recognised in the income statement	(9,171)	1,327	2,400	280	(21,033)	(734)	(7,199)	—
Currency translation adjustments	2	—	—	—	—	—		—
Fair value as at end of period	14,373	12,700	12,100	11,300	(38,620)	(39,354)	(12,495)	—

Part of the consideration received on the sale of the Chrysaor Group's interest in a pre-production development in 2015 was a royalty interest, which is recognised on the balance sheet as a financial asset. At 30 June 2020, the Chrysaor Group valued the outstanding consideration receivable at US$11.3 million (Dec 2019: US$12.1 million; Dec 2018: US$12.7 million; Dec 2017: US$14.4 million) of which US$4.9 million (Dec 2019: US$3.0 million; Dec 2018: US$3.0 million; Dec 2017: US$3.0 million) is considered to be receivable within one year.

The agreement with the sellers of the UK North Sea assets purchased by the Chrysaor Group in 2017 includes contingent consideration dependent on future commodity prices over the four-year period ended 31 December 2021. These contingent payments and receipts represent a series of option contracts. The fair value of the contingent payments are presented as a financial liability and estimated using valuation techniques, the key inputs for which include future commodity prices and volatility.

Fair value movements recognised in the income statement on financial instruments are shown below.

	For the years ended 31 December			*For the six months ended*	
	2017 $000	*2018 $000*	*2018 $000*	*30 June 2020 $000*	*30 June 2019 $000*
Income/(expense) included in the income statement					
Ineffectiveness of cash flow hedges	(332)	—	—	—	—
Remeasurement of royalty valuation	(9,171)	1,327	2,400	280	1,400
Remeasurement of commodity price contingent consideration	(21,033)	(734)	(7,199)	—	(22,460)
	(30,536)	593	(4,799)	280	(21,060)

Fair Values of Other Financial Instruments

The following financial instruments are measured at amortised cost and are considered to have fair values different to their book values.

	2017		*2018*		*2019*		*30 June 2020*	
	Book value $000	*Fair value $000*	*Book value $000*	*Fair value $000*	*Book value $000*	*Fair value $000*	*Book value $000*	*Fair value $000*
Long-term borrowings – loan notes	(838,092)	(870,925)	(922,003)	(934,687)	(316,506)	(357,676)	(283,065)	(388,335)

The fair values of the loan notes are within level 2 of the fair value hierarchy and have been estimated by discounting all future cash flows by the relevant market yield curve at the balance sheet date adjusted for an appropriate credit margin. The fair values of other financial instruments not measured at fair value including cash and short-term deposits, trade receivables, trade payables and floating rate borrowings approximate their carrying amounts.

Cash Flow Hedge Accounting

The Chrysaor Group uses a combination of fixed price physical sales contracts and cash-settled fixed price commodity swaps, and options to manage the price risk associated with its underlying oil and gas revenues. As at 30 June 2020, all of the Chrysaor Group's cash-settled fixed price commodity swap derivatives have been designated as cash flow hedges of highly probable forecast sales of oil and gas.

The following table indicates the volumes, average hedged price and timings associated with Chrysaor Group's financial commodity derivatives. Volumes hedged through fixed price contracts with customers for physical delivery are excluded.

Position as at 30 June 2020	*2020*	*2021*	*2022*	*2023*	*2024*	*2025*
Oil volume hedged (thousand bbls)	12,742	12,341	1,095	—	—	—
Weighted average hedged price (US$/bbl)	62.10	62.52	60.07	—	—	—
Gas volume hedged (million therms)	393	687	999	525	235	60
Weighted average hedged price (p/therm)	46p	49p	46p	45p	44p	44p

As at 30 June 2020, the fair value of net financial commodity derivatives designated as cash flow hedges was US$890.4 million (Dec 2019: US$352.4 million; Dec 2018: US$375.2 million; Dec 2017: US$(73.2) million) and net unrealised pre-tax gains of US$829.8 million (Dec 2019: US$321.2 million; Dec 2018: US$374.9 million; Dec 2017: losses US$72.9 million) was deferred in other comprehensive income in respect of the effective portion of the hedge relationships. Amounts deferred in other comprehensive income will be released to the income statement as the underlying hedged transactions occur. As at 30 June 2020, net deferred pre-tax gains of US$607.9 million (Dec 2019: US$162.9 million; Dec 2018: US$264.6 million; Dec 2017: losses US$24.1 million) are expected to be released to the income statement within one year.

24. Financial Risk Factors and Risk Management

The Chrysaor Group's principal financial assets and liabilities comprise trade and other receivables, cash and short-term deposits accounts, trade payables, interest bearing loans and derivative financial instruments. The main purpose of these financial instruments is to manage short-term cash flow and price exposures and raise finance for the Chrysaor Group's expenditure programme. Further information on the Chrysaor Group's financial instrument risk management objectives, policies and strategies are set out in the discussion of capital management policies in the Risk Factors section of this document.

Risk Exposures and Responses

The Chrysaor Group manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the delivery of the Chrysaor Group's financial targets while protecting future financial security. The main risks that could adversely affect the Chrysaor Group's financial assets, liabilities or future cash flows are: market risks comprising commodity price risk, interest rate risk and foreign currency risk, liquidity risk, and credit risk. Management reviews and agreed policies for managing each of these risks are summarised in this note.

The Chrysaor Group's senior management oversees the management of financial risks. The Chrysaor Group's senior management ensures that financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Chrysaor Group policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Chrysaor Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commodity price risk, interest rate risk and foreign currency risk. Financial instruments mainly affected by market risk include loans and borrowings, deposits and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 30 June 2020, 31 December 2019, 2018 and 2017.

The sensitivity analyses have been prepared on the basis that the number of financial instruments are all constant. The sensitivity analyses are intended to illustrate the sensitivity to changes in market variables on the composition of the Chrysaor Group's financial instruments at the balance sheet date and show the impact on profit or loss and shareholders' equity, where applicable.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant profit before tax item and/or equity is the effect of the assumed changes in respective market risks for the full year based on the financial assets and financial liabilities held at the balance sheet date.
- The sensitivities indicate the effect of a reasonable increase in each market variable. Unless otherwise stated, the effect of a corresponding decrease in these variables is considered approximately equal and opposite.
- Fair value changes from derivative instruments designated as cash flow hedges are considered fully effective and recorded in shareholders' equity, net of tax.
- Fair value changes from derivatives and other financial instruments not designated as cash flow hedges are presented as a sensitivity to profit before tax only and not included in shareholders' equity.

a. Commodity Price Risk

The Chrysaor Group is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of oil and gas products. On a rolling basis, the Chrysaor Group's policy is to hedge the commodity price exposure associated with 40 to 60 per cent. of the next 12 months' production, between 30 and 50 per cent. in the following 12-month period, and up to 40 per cent. in the subsequent 24-month period. The Chrysaor Group manages these risks through the use of fixed priced contracts with customers for physical delivery and derivative financial instruments including fixed priced swaps and options.

The following table summarises the impact on the Chrysaor Group's pre-tax profit and equity from a reasonably foreseeable movement in commodity prices on the fair value of commodity based derivative instruments held by the Chrysaor Group at the balance sheet date. There were no derivative financial instruments held by Chrysaor in the current year or in the previous year.

As at 30 June 2020	*Market movement*	*Effect on profit before tax $000*	*Effect on equity $000*
Brent oil price	USD10/bbl increase	—	(150,497)
Brent oil price	USD10/bbl decrease	—	150,497
NBP gas price	GBP 0.1/therm increase	—	(123,883)
NBP gas price	GBP 0.1/therm decrease	—	123,883

As at 31 December 2019	*Market movement*	*Effect on profit before tax $000*	*Effect on equity $000*
Brent oil price	USD10/bbl increase	—	(208,370)
Brent oil price	USD10/bbl decrease	—	208,370
NBP gas price	GBP 0.1/therm increase	—	(135,893)
NBP gas price	GBP 0.1/therm decrease	—	135,893

As at 31 December 2018	*Market movement*	*Effect on profit before tax $000*	*Effect on equity $000*
Brent oil price	USD10/bbl increase	(40,965)	(194,575)
Brent oil price	USD10/bbl decrease	28,507	194,575
NBP gas price	GBP 0.1/therm increase	—	(65,435)
NBP gas price	GBP 0.1/therm decrease	—	65,435

As at 31 December 2017	*Market movement*	*Effect on profit before tax $000*	*Effect on equity $000*
Brent oil price	USD10/bbl increase	(67,153)	(73,416)
Brent oil price	USD10/bbl decrease	50,968	73,416
NBP gas price	GBP 0.1/therm increase	—	(38,430)
NBP gas price	GBP 0.1/therm decrease	—	38,430

Note: the "effect on profit before tax" as at 31 December 2018 above represented estimated movements on the fair value of crude based derivative instruments from a reasonably foreseeable change in crude prices at that time, in relation to contingent consideration as part of the 2017 Shell acquisition, which would be reported through the income statement. The contingent consideration in relation to the 2019 calendar year was fully settled in March 2020 and as a result there will be no further movements on the fair value of crude based derivative instruments reported through the income statement.

b. *Interest Rate Risk*

Floating rate borrowings comprise bank loans under the RBL and junior facilities which incur interest fixed six months in advance at USD Libor plus a margin of 3.25 to 5.25 per cent.. Fixed rate borrowings comprise a series of shareholder loan notes which incur interest at 10 per cent. per annum. At the option of Chrysaor, interest on the shareholder loan notes can be capitalised into the principal amount and settled at maturity. Floating rate financial assets comprise cash and cash equivalents which earn interest at the relevant market rate. The Chrysaor Group monitors its exposure to fluctuations in interest rates and uses interest rate derivatives to manage the fixed and floating composition of its borrowings.

The table below represents interest rate financial instruments in place at 30 June 2020:

Derivative	Currency	Period of hedge	Terms
Interest rate swaps	US$700 million	Jun 20 – Jun 25	Average 0.5561%

There were no interest rate financial instruments in place at 31 December 2019, 31 December 2018 or 31 December 2017.

The interest rate and currency profile of the Chrysaor Group's interest-bearing financial assets and liabilities is shown below.

As at 30 June 2020	*Cash at bank $000*	*Fixed rate borrowings $000*	*Floating rate borrowings $000*	*Total $000*
US Dollars	328,396	(283,065)	(1,871,004)	(1,825,673)
Pound Sterling	39,545	—	—	39,545
Norwegian Krone	1,413	—	(11,088)	(9,675)
Other	37	—	—	37
	369,391	(283,065)	(1,882,092)	(1,795,766)

As at 31 December 2019	*Cash at bank $000*	*Fixed rate borrowings $000*	*Floating rate borrowings $000*	*Total $000*
US Dollars	510,109	(316,506)	(2,497,180)	(2,303,577)
Pound Sterling	53,694	—	—	53,694
Norwegian Krone	15	—	(8,999)	(8,984)
Other	9,364	—	—	9,364
	573,182	(316,506)	(2,506,179)	(2,249,503)

As at 31 December 2018	*Cash at bank $000*	*Fixed rate borrowings $000*	*Floating rate borrowings $000*	*Total $000*
US Dollars	302,940	(922,003)	(882,886)	(1,501,949)
Pound Sterling	12,372	—	—	12,372
Norwegian Krone	856	—	—	856
Other	143	—	—	143
	316,311	(922,003)	(882,886)	(1,488,578)

As at 31 December 2017	*Cash at bank $000*	*Fixed rate borrowings $000*	*Floating rate borrowings $000*	*Total $000*
US Dollars	279,250	(838,092)	(1,576,241)	(2,135,083)
Pound Sterling	20,288	—	—	20,288
Other	3	—	—	3
	299,541	(838,092)	(1,576,241)	(2,114,792)

The following table illustrates the indicative pre-tax effect on profit and equity of applying a reasonably foreseeable increase in interest rates to the Chrysaor Group's financial assets and liabilities at the balance sheet dates. Chrysaor had no significant floating rate asset or liabilities in the current period or previous financial years.

	Market movement	*Effect on profit before tax $000*	*Effect on equity $000*
2020			
US interest rates	+100 basis points	(15,716)	—
2019			
US interest rates	+100 basis points	(20,239)	—
2018			
US interest rates	+100 basis points	(5,981)	—
2017			
US interest rates	+100 basis points	(13,355)	—

c. Foreign Currency Risk

The Chrysaor Group is exposed to foreign exchange risks to the extent it transacts in various currencies, while measuring and reporting its results in US Dollars. Since time passes between the recording of a receivable or payable transaction and its collection or payment, the Chrysaor Group is exposed to gains or losses on non-USD amounts and on balance sheet translation of monetary accounts denominated in non-USD amounts upon spot rate fluctuations from period to period. To mitigate exposure to movements in exchange rates, wherever possible financial assets and liabilities are held in currencies that match the functional currency of the relevant entity. The Chrysaor Group has subsidiaries with functional currencies of Pounds Sterling, US Dollar and Norwegian Krone. Exposures can also arise from sales or purchases denominated in currencies other than the functional currency of the relevant entity, and such exposures are monitored and hedged with agreement from the Board.

In 2020, the Chrysaor Group entered into forward contracts as a means of hedging its exposure to foreign exchange rate risks. As at 30 June 2020, the Chrysaor Group had £125.0 million hedged at forward rates of between US$1.2311 and US$1.2413: £1 for the period July 2020 to January 2021, and EUR 13,777,750 hedged at forward rates of between US$1.1039 and US$1.1061: EUR for the period July 2020 to December 2020.

As at 31 December 2019, 31 December 2018 and 31 December 2017, the Chrysaor Group had not entered into any exchange rate derivatives.

The following table demonstrates the sensitivity to a reasonably foreseeable change in US Dollar against Pounds Sterling with all other variables held constant, of the Chrysaor Group's profit before tax (due to foreign exchange translation of monetary assets and liabilities). The impact of translating the net assets of foreign operations into US Dollars is excluded from the sensitivity analysis.

	Market movement	*Effect on profit before tax $000*	*Effect on equity $000*
2020			
US dollar/Sterling	10% strengthening	140,922	—
US dollar/Sterling	10% weakening	(140,922)	—
2019			
US dollar/Sterling	10% strengthening	133,595	—
US dollar/Sterling	10% weakening	(133,595)	—
2018			
US dollar/Sterling	10% strengthening	42,607	—
US dollar/Sterling	10% weakening	(42,607)	—
2017			
US dollar/Sterling	10% strengthening	(5,542)	—
US dollar/Sterling	10% weakening	4,667	—

d. Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to financial loss. The Chrysaor Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and derivative financial instruments.

The Chrysaor Group only sells hydrocarbons to recognised and creditworthy parties, typically the trading arm of large, international oil and gas companies. An indication of the concentration of credit risk on trade receivables is shown in note 4, whereby the revenue from one customer averages 96 per cent. of the Chrysaor Group's consolidated revenue across the reporting periods.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are internationally recognised banking institutions and are considered to represent minimal credit risk.

There are no significant concentrations of credit risk within the Chrysaor Group unless otherwise disclosed, and credit losses are expected to be near to zero. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date.

e. Liquidity Risk

The Chrysaor Group monitors the amount of borrowings maturing within any specific period and proposes to meet its financing commitments from the operating cash flows of the business and existing committed lines of credit.

The table below summarises the maturity profile of the Chrysaor Group's financial liabilities at 30 June 2020, 31 December 2019, 31 December 2018 and 31 December 2017 based on contractual undiscounted payments.

As at 30 June 2020	*Within one year $000*	*1 to 2 years $000*	*2 to 5 years $000*	*Over 5 years $000*	*Total $000*
Non-derivative Financial Liabilities					
Reserves Based Loan facility	55,778	57,422	1,285,698	339,578	1,738,476
Junior facility	22,770	111,570	272,398	74,479	481,217
Loan notes	—	—	—	561,840	561,840
Exploration finance facility	8,624	2,805	—	—	11,429
Other loans	606	15,519	35,834	7,849	59,808
Trade and other payables	733,821	27,673	18,747	—	780,241
Lease obligations	53,634	53,555	30,145	33,916	171,250
	875,233	268,544	1,642,822	1,017,662	3,804,261
Derivative Financial Liabilities					
Net-settled commodity derivatives	109	—	9,688	—	9,797
Net-settled interest rate derivatives	—	—	—	4,859	4,859
Total as at 30 June 2020	875,342	268,544	1,652,510	1,022,521	3,818,917

As at 31 December 2019	*Within one year $000*	*1 to 2 years $000*	*2 to 5 years $000*	*Over 5 years $000*	*Total $000*
Non-derivative Financial Liabilities					
Reserves Based Loan facility	713,412	580,844	1,030,513	79,060	2,403,829
Junior facility	29,154	29,075	354,062	105,674	517,965
Loan notes	—	—	—	660,052	660,052
Exploration finance facility	9,732	—	—	—	9,732
Other loans	16,046	13,290	23,856	—	53,192
Trade and other payables	593,066	32,575	19,800	—	645,441
Lease obligations	80,045	72,220	54,938	30,302	237,505
	1,441,455	728,004	1,483,169	875,088	4,527,716
Derivative Financial Liabilities					
Net-settled commodity derivatives	40,445	1,330	2,333	—	44,108
Total as at 31 December 2019	1,481,900	729,334	1,485,502	875,088	4,571,824

As at 31 December 2018	*Within one year $000*	*1 to 2 years $000*	*2 to 5 years $000*	*Over 5 years $000*	*Total $000*
Non-derivative Financial Liabilities					
Reserves Based Loan facility	—	513,604	71,047	—	584,651
Junior facility	—	127,118	332,855	47,070	507,043
Loan notes	—	—	—	2,446,204	2,446,204
Other loans	22,966	1,358	—	—	24,324
Trade and other payables	248,222	—	—	—	248,222
	271,188	642,080	403,902	2,493,274	3,810,444
Derivative Financial Liabilities					
Net-settled commodity derivatives	66,502	68,987	6,499	—	141,988
Total as at 31 December 2018	337,690	711,067	410,401	2,493,274	3,952,432

As at 31 December 2017	Within one year $000	1 to 2 years $000	2 to 5 years $000	Over 5 years $000	Total $000
Non-derivative Financial Liabilities					
Reserves Based Loan facility	133,998	523,827	774,247	—	1,432,072
Junior facility	17,594	124,864	333,411	50,427	526,296
Loan notes	—	—	—	2,446,204	2,446,204
Short-term payables	432,340	—	—	—	432,340
	583,932	648,691	1,107,658	2,496,631	4,836,912
Derivative Financial Liabilities					
Net-settled commodity derivatives	42,410	39,873	32,867	—	115,150
Total as at 31 December 2017	626,342	688,564	1,140,525	2,496,631	4,952,062

The maturity profile in the above tables reflect only one side of the Chrysaor Group's liquidity position. Interest bearing loans and borrowings and trade payables mainly originate from the financing of assets used in the Chrysaor Group's ongoing operations such as property, plant and equipment and working capital such as inventories. These assets are considered part of the Chrysaor Group's overall liquidity risk.

25. Called Up Share Capital

	As at 31 December						As at 30 June	
	2017		2018		2019		2020	
Allotted, called up and fully paid	*No.*	*$000*	*No.*	*$000*	*No.*	*$000*	*No.*	*$000*
F Ordinary shares of £0.01 each	981,100	12	981,100	12	4,994,624	61	4,994,624	61
G Ordinary shares of £0.40 each	18,900	10	18,900	10	18,900	10	18,900	10
M Ordinary shares of £0.01 each	9,305		9,580		9,865		9,865	
		22		22		71		71

In January 2017, following the agreement to acquire the package of North Sea assets from Shell, the Chrysaor Group completed a financial restructure in conjunction with the Chrysaor Group's private equity investors.

The restructure included:

— the cancellation or redemption of Chrysaor's existing equity share capital consisting of 650,000 £0.05 A and 350,000 £0.05 B ordinary shares, 98.5 million £0.01 10 per cent. cumulative redeemable preference shares and 68.0 million US$0.0001 D ordinary shares;

— the redemption of 26.3 million US$0.01 C convertible redeemable preference shares in exchange for 10% unsecured C loan notes with a principal value of US$26.6 million. The C loan notes are classified as a financial liability and presented on the balance sheet as long-term borrowings (note 22);

— the issuance of 226,555 F ordinary shares of £0.01 each for a cash consideration of US$32.0 million and 9,305 M ordinary shares of £0.01 each for a cash consideration of US$0.1 million.

— the re-designation of 501,000 preference shares of a par value of £0.01 each as F ordinary shares of a part value of £0.01 each;

— the re-designation of 756,000 preference shares as G ordinary shares of a par value of £0.01 each and the further consolidation of the 756,000 G ordinary shares, re-designated into 18,900 G ordinary shares of a par value of £0.40 each;

Following the January 2017 financial restructure, further issues of F ordinary shares for total cash consideration of US$35.8 million occurred in April 2017 (56,640 shares), June 2017 (50,550 shares) and August 2017 (146,255 shares).

A further 275 M ordinary shares were issued in 2018 which is held in trust but not paid up.

On 31 August 2019, the 10 per cent. Unsecured E Loan notes held by Harbour Energy, with a principal and accrued interest value of US$675.3 million, were exchanged for 4,013,524 F ordinary shares of £0.01 each.

In November 2019, Chrysaor issued 285 M shares at £10 per share for a cash consideration of US$3,689.

As at each balance sheet date, the share capital comprised of three classes of ordinary shares. Each F and G ordinary share carries equal voting and dividend rights. M ordinary shares carry no voting rights and are subordinate to both F and G ordinary shares regarding rights to dividend and other distributions.

26. Notes to the Statement of Cash Flows

Net cash flows from operating activities consist of:

	For the years ended 31 December			*For the six-month period ended*	
	2017 $000	*2018 $000*	*2019 $000*	*30 June 2020*	*30 June 2019*
Profit/(loss) before taxation	471	578,401	455,558	(224,222)	323,705
Finance cost, excluding foreign exchange	43,978	270,293	256,399	148,768	123,470
Finance income, excluding foreign exchange	(260)	(8,622)	(31,611)	(3,460)	(10,190)
Depreciation, depletion and amortisation	100,847	629,154	917,015	723,468	359,307
Impairment of property, plant and equipment	—	—	—	250,629	—
Impairment of goodwill				55,735	
Taxes (paid)/received	—	—	(90,183)	6,583	—
Share based payments	—	—	10,905	—	—
Credit due to reduction in decommissioning provision	—	(44,485)	—	—	—
Decommissioning payments	—	(21,502)	(28,955)	(96,636)	(5,260)
Exploration costs written-off	7,276	10,731	222	38,851	132
Remeasurement on commodity price contingent consideration	21,033	734	7,199	—	22,460
Ineffectiveness of cash flow hedges	332				
Onerous contract provision	—	—	—	27,943	—
Share option reserve	2	—	—	—	—
Remeasurement on exploration contingent consideration	—	(217)	(7,773)	—	276
Remeasurement of acquisition completion adjustments	—	—	—	391	—
Gain on termination of IFRS16 lease	—	—	—	(584)	—
Loss on disposal of exploration and evaluation asset	—	—	—	55	—
Decrease in royalty consideration receivable	12,171	1,673	600	800	1,600
Realised cash flow hedges not yet settled	—	(693)	(23,747)	(34,691)	(8,082)
Unrealised foreign exchange loss/(gain)	1,724	(36,904)	63,767	(104,662)	(2,057)
Working capital adjustments:					
Decrease/(increase) in inventories	29,758	1,857	208	(9,738)	(4,743)
(Increase)/decrease in trade and other receivables	(193,913)	32,578	(6,085)	202,875	(50,387)
(Decrease)/increase in trade and other payables	30,608	34,844	(4,858)	(36,009)	23,991
Net cash inflow from operating activities	54,027	1,447,842	1,518,661	946,096	774,222

Reconciliation of Net Cash Flow to Movement in Net Borrowings

	For the years ended 31 December			For the six months ended
	2017 *$000*	*2018* *$000*	*2019* *$000*	*30 June 2020*
Proceeds from drawdown of borrowing facilities	(1,635,000)	—	(1,834,000)	—
Proceeds from issue of loan notes	(822,893)	—	—	—
Proceeds from financing arrangement	—	(20,400)	(29,600)	—
Conversion of E loan notes to equity	—	—	675,264	—
Proceeds from exploration financing facility loan	—	—	(9,275)	(2,596)
Repayment of senior debt		735,000	200,000	634,000
Transaction costs capitalised	59,254	—	45,641	765
Loan notes partial redemption	—	—	—	46,860
Financing arrangement interest receivable/ (payable)		(3,924)	19,696	(1,055)
Amortisation of transaction costs capitalised	(2,820)	(17,321)	(15,581)	(7,605)
Currency translation adjustment on exploration financing facility loan	—	—	(175)	617
Currency translation adjustment on transaction costs	2,325	—	1	(39)
Loan notes interest capitalised	(15,199)	(83,911)	(69,767)	(13,419)
Movement in total borrowings	(2,414,333)	609,444	(1,017,796)	657,528
Movement in cash and cash equivalents	295,459	16,770	256,871	(203,791)
(Increase)/decrease in net borrowings in the year	(2,118,874)	626,214	(760,925)	453,737
Opening net borrowings	4,082	(2,114,792)	(1,488,578)	(2,249,503)
Closing net borrowings	(2,114,792)	(1,488,578)	(2,249,503)	(1,795,766)

Analysis of Net Borrowings

	For the years ended 31 December			For the six months ended
	2017 *$000*	*2018* *$000*	*2019* *$000*	*30 June 2020*
Cash and cash equivalents	299,541	316,311	573,182	369,391
Reserves Based Loan facility	(1,183,915)	(464,277)	(2,067,339)	(1,439,706)
Junior facility	(392,326)	(394,285)	(395,613)	(396,014)
Net debt	(1,276,700)	(542,251)	(1,889,770)	(1,466,329)
Shareholder loan notes	(838,092)	(922,003)	(316,506)	(283,065)
Exploration financing facility	—	—	(8,999)	(11,088)
Financing arrangement	—	(24,324)	(34,228)	(35,284)
Closing net borrowings	(2,114,792)	(1,488,578)	(2,249,503)	(1,795,766)

27. Related Party Disclosures

The consolidated financial statements include the financial statements of the Company and its subsidiaries, a list of which is contained in note 14.

The Chrysaor Group's main related parties comprise members of key management personnel and Harbour Energy Ltd (Harbour Energy) along with affiliated persons and entities. Harbour Energy is an energy investment vehicle formed by EIG Global Energy Partners and is the Chrysaor Group's primary private equity investor. Transactions with these related parties are disclosed below.

Share Capital

On 31 August 2019, the 10 per cent. Unsecured E Loan notes held by Harbour Energy, with a principal and accrued interest value of US$675.3 million, were exchanged for 4,013,524 F ordinary shares of £0.01 each. In November 2019, 225 M ordinary shares of £0.01 each were issued to certain members of key management for a cash consideration of £10 per share.

Shareholder Loan Notes

At the end of 2018, Harbour Energy held E loan notes with a principal value of US$566.9 million plus accrued interest. On 31 August 2019, all the E Loan Notes including accrued interest were exchanged for F ordinary shares, at a value of US$675.3 million. The main impact of the exchange is that Harbour Energy's direct equity interest in CHL increased to 89.6 per cent. from 48 per cent.. In February 2020, a partial redemption of both the C Loan Notes and D Loan Notes took place, of US$4.9 million and US$42.0 million respectively.

As at 30 June 2020, the carrying amount of D loan notes due to Harbour Energy was US$252.2 million (Dec 2019: US$282.2 million; Dec 2018: US$256.5 million; Dec 2017: US$233.1 million) and the value of C loan notes due to key management personnel was US$1.8 million (Dec 2019: US$2.0 million; Dec 2018: US$1.9 million; Dec 2017: US$1.7 million). The amount of interest charged to the income statement associated with all loan notes payable to Harbour Energy and key management was US$12.1 million and US$0.1 million respectively in the six month period to 30 June 2020 (Dec 2019: US$67.3 million and US$0.1 million respectively; Dec 2018: US$81.0 million and US$0.2 million respectively; Dec 2017: US$12.8 million and US$0.1 million respectively).

The Chrysaor Group also pays governance and monitoring fees to its institutional shareholders. For the six months ended 30 June 2020, the total fees payable to Harbour Energy amounted to US$4.3 million (Dec 2019: US$8.6 million; Dec 2018: US$8.6 million; Dec 2017: US$2.6 million) and to other shareholders US$0.5 million (Dec 2019: US$1.0 million; Dec 2018: US$1.0 million; Dec 2017: US$1.0 million) with US$0.5 million outstanding as at the balance sheet date (Dec 2019: US$1.0 million; Dec 2018: US$nil; Dec 2017: US$nil).

Controlling Party

The immediate parent undertaking is Harbour Chrysaor Equity Holdings Ltd (Cayman). The ultimate parent undertaking and the largest and smallest group to consolidate these financial statements is Harbour Energy Holdings Ltd (Cayman). Copies of the Harbour Energy Holdings Ltd consolidated financial statements can be obtained from the company secretary at 7th Floor, 20 St. James's Street, London, SW1A 1ES.

Key Management Compensation

Remuneration of key management personnel of the Chrysaor Group is shown below. The remuneration of the Non-Executive Chairman is wholly paid by EIG Management Company. The remuneration of the Harbour-appointed directors for their board roles of Chrysaor is wholly paid by Harbour Energy.

	For the years ended 31 December			*6 months to 30 June*	*6 months to 30 June*
	2017	*2018*	*2019*	*2020*	*2019*
	$000	*$000*	*$000*	*$000*	*$000*
Salaries and short-term benefits	2,755	5,749	8,859	4,937	3,526
Payments made in lieu of pension contributions	153	525	346	356	244
Pension benefits	76	122	170	55	63
	2,984	6,396	9,375	5,348	3,833

28. Post Balance Sheet Events

In September 2020, the Chrysaor Group put in place a new Long-Term Incentive Plan ('**LTIP**') scheme for senior employees. The LTIP is a cash settled scheme based on a number of notional shares multiplied by a notional share price. The scheme has a maximum number of notional shares that can vest. Performance conditions determine the final number of vesting notional shares and there are three performance measures covering absolute and relative total shareholder return and return on capital employed. The vesting period is three years from the scheme grant date with cash settlement to the employees twelve months after the vesting period provided the individual remains in employment.

On the 6 October 2020, Chrysaor announced that agreement had been reached with Premier Oil plc and Harbour Energy regarding a proposed reverse takeover all share merger between Premier and Chrysaor and the reorganisation of Premier's existing debt and cross-currency swaps. Completion of the transaction is subject to regulatory approvals, approval by Premier's shareholders, the existing creditors and expected in 1Q 2021.

The transaction will create the largest independent oil and gas company listed on the London Stock Exchange with combined production of over 250 mboepd as at 30 June 2020 and 2P reserves of 717 mmboe as at 31 December 2019. The Combined Group will be of significant scale and diversification with a strong balance sheet and significant international growth opportunities.

Glossary

- *2C Contingent resources (best estimate)*
- *2P Proved plus probable reserves*
- *bbl Barrel*
- *BMS Business Management System*
- *boe Barrel of oil equivalent*
- *boepd Barrel of oil equivalent per day*
- *CEO Chief Executive Officer*
- *CUI Corrosion under insulation*
- *DD&A Depreciation, depletion and amortisation*
- *DNV Det Norske Veritas-Germanischer Lloyd*
- *ESR Elected safety representative*
- *FID Final investment decision*
- *FPS Forties Pipeline System*
- *HSEx Health & Safety Executive*
- *HSEQ Health, Safety, Environment and Quality*
- *MAE Major Accident Event*
- *mboepd Thousand barrels of oil equivalent per day*
- *mmboe Million barrels of oil equivalent*
- *MPE Ministry of Petroleum and Energy, Norway*
- *OPPC Oil pollution prevention and control*
- *OPRED Offshore Petroleum Regulator for Environment & Decommissioning*
- *OSDR Offshore Safety Directive Regulator*
- *PCOA Put and call options agreement*
- *POP Platform Operating Procedure*
- *SWE Safe Working Essentials*
- *TAR Turnaround*
- *TRIF Total Recordable Incident Frequency*
- *WOSPS West of Shetland Pipeline System*

Non-IFRS Measures

The Chrysaor Group uses certain measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles. These non-IFRS measures, which are presented within the Financial Review are EBITDAX, Cost per barrel, Depreciation, depletion and amortisation per barrel, free cash flow and net debt and are defined below.

- *EBITDAX*: is defined as earnings before tax, interest, depreciation and amortisation, remeasurements and exploration expenditure. This is a useful indicator of underlying business performance.
- *Operating Cost Per Barrel*: direct operating costs (excluding over/underlift) for the year including tariff expense and insurance costs less tariff income, divided by working interest production. This is a useful indicator of ongoing operating costs from the Chrysaor Group's producing assets.

- *Depreciation, Depletion and Amortisation per barrel (DD&A)*: depreciation and amortisation of oil and gas properties for the year divided by working interest production. This is a useful indicator of ongoing rates of depreciation and amortisation of the Chrysaor Group's producing assets.
- *Free Cash Flow*: defined as EBITDAX less capital expenditure.
- *Net Debt*: the cash and cash equivalents less total senior and junior debt recognised on the consolidated balance sheet. This is an indicator of the Chrysaor Group's indebtedness and contribution to capital structure.

SECTION C: ACCOUNTANT'S REPORT IN RESPECT OF THE HISTORICAL FINANCIAL INFORMATION RELATING TO THE CONOCOPHILLIPS GROUP

pwc

The Directors
Premier Oil plc
23 Lower Belgrave St
Belgravia
London SW1W 0NR
United Kingdom

RBC Europe Limited
100 Bishopsgate
London EC2N 4AA
United Kingdom

16 December 2020

Dear Ladies and Gentlemen

The reverse takeover of Premier Oil plc ("Premier") by Chrysaor Holdings Limited ("Chrysaor") and the proposed readmission of the ordinary shares of Premier to the premium segment of the Official List maintained by the Financial Conduct Authority (the "FCA") and the proposed admission of those shares to trading on the London Stock Exchange's main market for listed securities (the "Transaction").

We report on the combined financial information of Chrysaor Petroleum Company U.K. Limited (formerly ConocoPhillips Petroleum Company U.K. Limited), Chrysaor Resources (Irish Sea) Limited (formerly Burlington Resources (Irish Sea) Limited), Chrysaor (U.K.) Sigma Limited (formerly ConocoPhillips (U.K.) Sigma Limited) and their subsidiary and associate undertakings (the "**Combined COP Subsidiaries**") for the three years ended 31 December 2017, 31 December 2018 and 31 December 2019 set out in section C of Part VII below (the "**Historical Financial Information relating to the Combined COP Subsidiaries**").

This report is required by item 13.5.21R of the Listing Rules of the Financial Conduct Authority (the "**Listing Rules**") and is given for the purpose of complying with that item and for no other purpose.

Opinion on financial information

In our opinion, the Historical Financial Information relating to the Combined COP Subsidiaries gives, for the purposes of the circular dated 16 December 2020 (the "**Circular**") of Premier, a true and fair view of the state of affairs of the Combined COP Subsidiaries as at the dates stated and of its profits and losses, cash flows and changes in invested capital for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH

Tel: +44 (0) 20 7583 5000, Fax: +44 (0) 20 7212 4652

Responsibilities

The Directors of Premier (the "Directors") are responsible for preparing the Historical Financial Information relating to the Combined COP Subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the Historical Financial Information relating to the Combined COP Subsidiaries and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of Premier as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

Basis of Preparation

The Historical Financial Information relating to the Combined COP Subsidiaries has been prepared for inclusion in the Circular of Premier on the basis of the accounting policies set out in Note 1 to the Historical Financial Information.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent in accordance with the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the Historical Financial Information relating to the Combined COP Subsidiaries. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Conclusions Relating to Going Concern

We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the Historical Financial Information relating to the Combined COP Subsidiaries about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Historical Financial Information relating to the Combined COP Subsidiaries and the Directors' identification of any material uncertainties to the Combined COP Subsidiaries' ability to continue as a going concern over a period of at least twelve months from the date of this Circular.

We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the ability of the Combined COP Subsidiaries to continue as a going concern.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

SECTION D: HISTORICAL FINANCIAL INFORMATION RELATING TO THE COMBINED COP SUBSIDIARIES

Combined Income Statement

		For the years ended 31 December		
	Note	*2017* *$000*	*2018* *$000*	*2019* *$000*
Revenue	4	2,663,163	3,193,995	1,602,542
Other income	4	7,694	15,841	15,076
Revenue and other income		2,670,857	3,209,836	1,617,618
Cost of sales		(2,730,609)	(3,063,159)	(1,386,172)
Gross (loss)/profit		(59,752)	146,677	231,446
Exploration and evaluation expenses	5	(2,932)	(2,544)	(969)
Exploration costs written-off	5	(56)	(12,820)	(1,683)
Operating (loss)/profit		(62,740)	131,313	228,794
Gain on disposal of subsidiary undertaking	6	—	151,864	—
Gain on disposal of investment in associate undertaking	6	—	—	144,075
(Loss)/profit before interest and taxation		(62,740)	283,177	372,869
Finance income	8	2,943	6,569	3,751
Finance expenses	8	(40,522)	(43,814)	(58,310)
Share of net profit of associate undertaking	16	10,700	14,312	7,526
(Loss)/profit before taxation		(89,619)	260,244	325,836
Income tax credit/(expense)	10	67,025	(45,473)	(71,341)
(Loss)/profit for the financial year		(22,594)	214,771	254,495

Combined Statement of Comprehensive Income

	For the years ended 31 December		
	2017	*2018*	*2019*
	$000	*$000*	*$000*
(Loss)/profit for the financial year	(22,594)	214,771	254,495
Items that may be reclassed to income statement			
Share of movement in net liabilities of associate undertaking resulting from group reconstruction and adjustment to investment carrying value (note 16)	—	(22,587)	(6,840)
Currency exchange differences	249,988	(182,215)	20,714
Total other comprehensive income/(loss) for the financial year, net of tax	249,988	(204,802)	13,874
Total comprehensive income for the financial year	227,394	9,969	268,369
Total comprehensive income attributable to:			
Equity holders of the ultimate parent company	227,394	9,969	268,369

Combined Balance Sheet

	Note	*As at 1 January 2017 $000*	*As at 31 December 2017 $000*	*2018 $000*	*2019 $000*
Assets					
Non-current assets					
Other intangible assets	12	156,116	173,086	68,526	73,069
Property, plant and equipment	13	3,576,755	3,862,370	1,544,930	1,538,677
Right of use assets	14	12,199	113,119	84,235	63,594
Investments	16	14,519	16,847	—	—
Deferred tax	10	—	—	—	26,216
Other receivables	18	—	—	1,170	—
Amounts due from group undertakings	19	98,736	108,184	102,280	832,545
Total non-current assets		3,858,325	4,273,606	1,801,141	2,534,101
Current assets					
Inventories	17	49,757	59,336	39,645	38,148
Trade and other receivables	18	259,588	313,684	416,688	101,272
Amounts due from group undertakings	19	60,897	1,804,341	115,069	207,076
Cash and cash equivalents	20	723,240	997,531	1,113,470	18
Total current assets		1,093,482	3,174,892	1,684,872	346,514
Total assets		4,951,807	7,448,498	3,486,013	2,880,615
Equity and liabilities					
Invested capital					
Invested capital		2,575,160	2,802,554	1,180,537	820,715
Total invested capital		2,575,160	2,802,554	1,180,537	820,715
Non-current liabilities					
Provisions	23	987,820	1,199,681	982,749	1,060,179
Deferred tax	10	404,677	385,918	160	—
Other payables	22	50,000	50,000	50,000	50,000
Lease creditor	14	10,999	95,704	70,541	48,708
Total non-current liabilities		1,453,496	1,731,303	1,103,450	1,158,887
Current liabilities					
Trade and other payables	22	316,546	409,197	553,521	855,594
Bank overdraft		601,491	2,481,123	615,315	—
Lease creditor	14	1,200	19,973	19,938	24,205
Provisions	23	3,914	4,348	13,252	21,214
Total current liabilities		923,151	2,914,641	1,202,026	901,013
Total liabilities		2,376,647	4,645,944	2,305,476	2,059,900
Total invested capital and liabilities		4,951,807	7,448,498	3,486,013	2,880,615

Combined Statement of Changes in Invested Capital

	Invested capital $000
As at 1 January 2017	2,575,160
Loss for the financial year	(22,594)
Other comprehensive income	249,988
As at 31 December 2017	2,802,554
Profit for the financial year	214,771
Dividends paid	(1,631,986)
Other comprehensive loss	(204,802)
At 31 December 2018	1,180,537
Profit for the financial year	254,495
Dividends paid	(628,191)
Other comprehensive income	13,874
At 31 December 2019	820,715

Combined Statement of Cash Flows

	Note	2017 $000	2018 $000	2019 $000
		For the years ended 31 December		
Net cash inflow from operating activities	26	267,365	440,146	224,350
Cash flows from investing activities				
Expenditure on exploration and evaluation assets		(789)	(12,992)	(18,973)
Expenditure on property, plant and equipment		(210,453)	(184,901)	(71,407)
New loans issued to group companies	19	(1,672,338)	—	(701,250)
Repayment of loans by group companies	19	—	1,662,315	10,023
Interest received		2,943	5,646	3,751
Proceeds from sale of subsidiary undertaking	6	—	1,806,780	—
Proceeds from sale of investment in associate undertaking	6	—	—	144,075
Dividends received from associate undertaking	16	9,809	9,788	686
Net cash disposed of with subsidiary undertaking		—	(63,976)	—
Net cash (outflow)/inflow from investing activities		(1,870,828)	3,222,660	(633,095)
Cash flows from financing activities				
New loans received from group companies		—	—	548,444
Dividends paid on preference shares		(2,823)	(2,909)	(2,860)
Dividends paid on ordinary shares		—	(1,631,986)	(628,191)
Lease payments		(9,263)	(19,788)	(19,885)
Interest paid and bank charges		(4,254)	(8,784)	(6,946)
Net cash outflow from financing activities		(16,340)	(1,663,467)	(109,438)
Net (decrease)/increase in cash and cash equivalents		(1,619,803)	1,999,339	(518,183)
Effect of exchange rates on cash and cash equivalents		14,462	(17,592)	20,046
Cash and cash equivalents at 1 January		121,749	(1,483,592)	498,155
Cash and cash equivalents at 31 December		(1,483,592)	498,155	18
Cash and cash equivalents consists of:				
Cash at bank and in hand	20	997,531	1,113,470	18
Bank overdraft		(2,481,123)	(615,315)	—
		(1,483,592)	498,155	18

Notes to the Combined Historical Financial Information

1. Corporate Information

The "Combined COP Subsidiaries" (or "the **Companies**") for the years ended 31 December 2017 to 2019 comprise Chrysaor Petroleum Company U.K. Limited (formerly ConocoPhillips Petroleum Company U.K. Limited), Chrysaor Resources (Irish Sea) Limited (formerly Burlington Resources (Irish Sea) Limited), Chrysaor (U.K.) Sigma Limited (formerly ConocoPhillips (U.K.) Sigma Limited) and their subsidiary and associate undertakings (notes 15 and 16).

The combined financial information presented in this "Combined COP Subsidiaries Historical Financial Information" has been prepared specifically for this Investment Circular and incorporates financial information of subsidiaries and affiliates comprised in the Combined COP Subsidiaries. The Combined COP Subsidiaries do not constitute a separate legal group.

From 1 January 2017 to 30 September 2019, the Companies were under the common control of ConocoPhillips Company ("**ConocoPhillips**"). On 30 September 2019, Chrysaor E&P Limited completed the acquisition of the Companies along with a number of other UK legal entities from ConocoPhillips. From 30 September 2019, the Companies have been part of the Chrysaor group of companies (the "**Chrysaor Group**"). At 31 December 2019, the ultimate parent undertaking and controlling party of all the Companies is Harbour Energy Holdings Ltd (Cayman).

The Companies are private companies limited by share capital, incorporated and domiciled in the United Kingdom. The Companies' principal place of business is London, United Kingdom and their registered office is Brettenham House, Lancaster Place, London, WC2E 7EN.

The Companies' principal activities are the acquisition, exploration, development and production of oil and gas reserves on the UK Continental Shelf.

2. Accounting Policies

Basis of Preparation

The Combined COP Subsidiaries do not constitute a separate legal group. The Combined COP Subsidiaries Historical Financial Information is a combination of certain legal entities purchased by Chrysaor E&P Limited from ConocoPhillips and has been prepared specifically for the purpose of complying with the Prospectus Rules.

The Combined COP Subsidiaries historical financial information has been prepared under accounting policies consistent with those of Premier Oil plc in its last published Annual Report.

The Combined COP Subsidiaries Historical Financial Information is prepared on a basis that combines the results, assets and liabilities of each of the companies constituting the Combined COP Subsidiaries and their subsidiary and associate undertakings (notes 15 and 16) by applying the principles underlying the consolidation procedures of IFRS 10 'Consolidated Financial Statements' ("IFRS 10") for each of the three years to 31 December 2017, 2018 and 2019 and as at 1 January 2017, 31 December 2017, 2018 and 2019. On such basis, the combined historical financial information sets out the Combined COP Subsidiaries balance sheet as at 1 January 2017, 31 December 2017, 2018 and 2019 and the combined results of the Combined COP Subsidiaries operations and cash flows for the three years ended 31 December 2017, 2018 and 2019. Recharges for central costs from other entities were recorded within the books of each statutory entity included within this combination. The total combined amount of costs re-charged in the period are set out in note 27.

The Combined COP Subsidiaries Historical Financial Information presents the financial track record of the Combined COP Subsidiaries as at and for the three years ended 31 December 2019 and is prepared specifically to be included in the Prospectus and Investment Circular in connection with the proposed application for re-admission of the entire ordinary share capital of Premier Oil plc to listing on the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange plc's main market for listed securities. This combined financial information has been prepared in accordance with the requirements of the Prospectus Directive regulation, the Listing Rules, this basis of preparation, and with those parts of the Companies Act 2006 as applicable to companies reporting under IFRS.

This basis of preparation describes how the Combined COP Subsidiaries Historical Financial Information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the IFRS Interpretation Committee interpretations (together "**IFRS**").

IFRS does not provide for the preparation of combined historical financial information and, accordingly, in preparing the Combined COP Subsidiaries Historical Financial Information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 "Standards for Investment Reporting applicable to public reporting engagements on historical financial information" issued by the UK Auditing Practices Board have been applied.

The Combined COP Subsidiaries has not in the past constituted a separate legal group and therefore it is not meaningful to show share capital or an analysis of reserves for this combined group. As such, the net assets of the Combined COP Subsidiaries are represented by the cumulative investment of the then parent group (shown as "**Invested Capital**").

The Historical Financial Information has been prepared on the historical cost basis, except for certain financial assets and liabilities (including derivative financial instruments, hydrocarbon inventories and over/underlift) which have been measured at fair value.

The Historical Financial Information is presented in US Dollars (USD) and all values are rounded to the nearest thousand dollars ($'000) except when otherwise stated.

This is the first financial information presented in accordance with IFRS for the Combined COP Subsidiaries. The beginning of the first period presented is 1 January 2017 and as required by IFRS 1 a balance sheet has been presented at this date.

The accounting policies which follow set out those policies which apply in preparing the Historical Financial Information for the years ended 31 December 2017, 31 December 2018 and 31 December 2019. All accounting policies have been applied consistently unless otherwise stated.

Basis of Combination

The Combined COP Subsidiaries Historical Financial Information combines the financial statements of the three legal entities disclosed in the Corporate Information and their subsidiary and associate undertakings drawn up to each 31 December financial year end. Subsidiaries are those entities over which the Companies have control. Control is achieved where a company has the power over the subsidiary or has rights to variable returns from the subsidiary and has the ability to use its power to affect its returns. All subsidiaries are 100 per cent. owned by the Companies. The investment in an associate undertaking is accounted for using the equity method (note 16).

All intercompany balances have been eliminated on consolidation.

New Accounting Standards and Interpretations

This is the first financial information presented for the Combined COP Subsidiaries. The financial information is presented in accordance with IFRS and no comparison is presented with any other GAAP as no GAAP accounting had previously been prepared for this combination. The beginning of the first period presented is 1 January 2017. The changes to the previously reported financial information for the standalone legal entities comprised within the Combined COP Subsidiaries are in relation to the adoption of IFRS 16 "Leases", the valuation of under/overlift, and the re-presentation of certain income statement and balance sheet line items to align with the requirements of IAS1 "Presentation of Financial Statements". All other policies applied under the Companies' previous accounting framework are not materially different to IFRS and have not impacted on equity or profit or loss.

The Combined COP Subsidiaries adopted new and revised accounting standards and interpretations relevant to its business and effective for accounting periods beginning on or after 1 January 2017, including:

IFRS 9 Financial Instruments

The classification and measurement of financial assets has changed with the implementation of IFRS 9. However, this has not materially changed the measurement of financial assets of the Companies. The IFRS 9 impairment model requiring the recognition of 'expected credit losses', in contrast to the requirement to recognise 'incurred credit losses' under IAS 39, has not had a material impact on the Combined COP Subsidiaries Historical Financial Information. Trade and other receivables are generally settled on a short time frame and the Companies' other financial assets (including balances with group undertakings not included in this combination) are due from counterparties without material credit risk concerns at the time of transition.

IFRS 15 Revenue from Contracts with Customers

The implementation of IFRS 15 has not impacted the presentation of the Companies' sales revenue. Disclosure of disaggregated revenue information consistent with the requirement included in IFRS 15 has not had an impact on the information presented in note 4. The Companies' accounting policy under IFRS 15 is detailed within "Revenue from Contracts with Customers" and does not represent a substantive change from the Companies' previous accounting policy for recognising revenue from sales to customers.

IFRS 16 Leases

The Companies adopted IFRS 16 'Leases' from the effective date of 1 January 2019. IFRS 16 replaced the previous standard on accounting for leases, IAS 17, and the related interpretations. As this is the first financial information presented in accordance with IFRS for the Combined COP Subsidiaries, the transition to IFRS 16 was made by restating the prior year balances to reflect the adoption of IFRS 16 from 1 January 2017.

As part of the project conducted on initial application, the Companies applied the modified retrospective approach.

The main effect on the Companies is that IFRS 16 has introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases where the practical expedients above are not applicable.

From 1 January 2017, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Companies. The Companies have applied the exemption within IFRS 1 'First-time Adoption of International Financial Reporting Standards' to measure lease liabilities and right-of-use assets at the date of transition to IRFs. For the Combined COP Subsidiaries, 1 January 2017 is the beginning of the first period presented in this Historical Financial Information and the date of transition to IFRSs. These liabilities are initially measured on a present value basis reflecting the net present value of the fixed lease payments and amounts expected to be payable by the Companies assuming leases run to full term with no break clauses exercised. These liabilities are discounted using the lessee's incremental borrowing rate as of 1 January 2017, being the rate that the Companies would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2017 was 5.32 per cent. and for new lease liabilities recognised in 2017 was 5.46 per cent.. There were no new lease liabilities recognised in 2018 or 2019. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

The Companies have applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Companies are reasonably certain to exercise such options impacts the lease term, which significantly impacts the amount of lease liabilities and right-of-use assets recognised.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in note 14.

The other pronouncements did not have any impact on the Companies' accounting policies and did not require retrospective adjustments.

Segment Reporting

The Companies' activities consist of one class of business – the acquisition, exploration, development and production of oil and gas reserves and related activities in one geographical area being the UK North Sea.

Joint Arrangements

Exploration and production operations are usually conducted through joint arrangements with other parties. All joint arrangements are reviewed and classified as either joint operations or joint ventures depending on the rights and obligations of each party to the arrangement and whether the arrangement is structured through a separate vehicle. All interests in joint arrangements held by the Companies are classified as joint operations.

In relation to its interests in joint operations, the Companies recognise their:

- Assets, including their share of any assets held jointly
- Liabilities, including their share of any liabilities incurred jointly
- Revenue from the sale of their share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation, and
- Expenses, including their share of any expenses incurred jointly

Foreign Currency Translation

Each entity in the Combined COP Subsidiaries determines its own functional currency, being the currency of the primary economic environment in which the entity operates, and items included in the Historical Financial Information for each entity are measured using that functional currency.

The functional currency of Chrysaor (U.K.) Sigma was changed from Great British Pounds to US dollars on 1 January 2019. A management decision was made to change the functional currency to US dollars to reflect the profile of the company's revenue and operating profit which, following first production from Clair Ridge at the end of 2018, is primarily generated in US dollars.

The combined Historical Financial Information of the Combined COP Subsidiaries is presented in US Dollars.

Transactions recorded in foreign currencies are initially recorded in the entity's functional currency by applying an average rate of exchange. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the income statement. Non-monetary assets and liabilities denominated in foreign currencies are measured at historic cost based on exchange rates at the date of the transaction and subsequently not retranslated.

On consolidation, the assets and liabilities of the Companies' operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average monthly exchange rates for the year. Equity balances are held at historic costs and are not retranslated. The resulting exchange differences are recognised as other comprehensive income or expense and are transferred to the currency translation reserve.

Intangible Assets – Exploration and Evaluation Assets

Exploration and evaluation expenditure is accounted for using the successful efforts method of accounting.

(a) Pre-Licence Costs

Pre-licencing costs are expensed in the period in which they are incurred.

(b) Licencing and Property Acquisition Costs

Licence and property acquisition costs paid in connection with a right to explore in an existing exploration area are capitalised as exploration and evaluation costs within intangible assets.

Licence and property acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. If no future activity is planned or the related licence has been relinquished or has expired, the carrying value of the property acquisition costs is written off through the income statement. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties within development and production assets.

(c) Exploration and Evaluation Costs

Once the legal right to explore has been acquired, costs directly associated with the exploration are capitalised as exploration and evaluation intangible non-current assets until the exploration is complete and the results have been evaluated. If no potential commercial resources are discovered, the exploration asset is written off.

All such capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least annually. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off through the income statement.

When proved reserves of oil or natural gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties within development and production assets. No amortisation is charged during the exploration and evaluation phase.

Property, Plant and Equipment – Oil and Gas Development and Production Assets

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells including unsuccessful development or delineation wells, is capitalised as oil and gas properties within development and production assets.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

All costs relating to a development are accumulated and not depreciated until the commencement of production. From 1 January 2019, the Companies prospectively changed their methodology for calculating the depreciation charge on capitalised oil and gas properties to be in line with the Chrysaor Group. Depreciation is provided using the unit of production method based on proved plus probable reserves. When there is a change in the estimated total recoverable proved plus probable reserves of a field, that change is accounted for prospectively in the depreciation charge over the revised remaining proved plus probable reserves. Prior to 1 January 2019, depreciation was provided using the unit of production method based on proved reserves, or proved developed reserves for well costs.

An item of development and production expenditure and any significant part initially recognised 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 the income statement.

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Companies, the expenditure is capitalised. All other day-to-day repairs and maintenance costs are expensed as incurred.

Impairment of Non-Current Assets

The Companies assess, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, the Companies estimate the recoverable amount of the associated asset or cash generating unit, being the higher of the fair value less costs of disposal and value-in-use. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the difference is recognised in the income statement as an impairment charge.

Financial Instruments

a. Financial Assets

The Companies use two criteria to determine the classification of financial assets: the Chrysaor Group's business model and contractual cash flow characteristics of the financial assets. Where appropriate the Companies identify three categories of financial assets: amortised cost, fair value through profit or loss ("**FVTPL**"), and fair value through other comprehensive income ("**FVOCI**").

Financial Assets held at Amortised Cost

Financial assets held at amortised cost are initially measured at fair value except for trade receivables which are initially measured at cost. Both are subsequently carried at amortised cost using the effective interest rate ("**EIR**") method, less impairment. The EIR amortisation is presented within finance income in the Income statement.

Cash and Cash Equivalents

Cash at bank and in hand in the balance sheet comprise cash deposits with banks and in hand.

Impairment of Financial Assets

The Companies recognise an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Companies expect to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Companies apply a simplified approach in calculating ECLs. Provision rates are calculated based on estimates including the probability of default by assessing counterparty credit ratings, as adjusted for forward-looking factors specific to the debtors and the economic environment and the Chrysaor Group's historical credit loss experience.

Credit Impaired Financial Assets

At each reporting date, the Companies assess whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

— significant financial difficulty of the borrower or issuer

— a breach of contract such as default or past due event

— the restructuring of a loan or advance by the Chrysaor Group on terms that the Chrysaor Group would otherwise not consider

— it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation, – or the disappearance of an active market for a security because of financial difficulties

b. Financial Liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Borrowings and Loans

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

c. Derivative Financial Instruments

Derivative financial instruments are initially recognised and subsequently re-measured at fair value. Changes in the fair value of the instrument are recognised within the Income statement.

In the period under prior ownership by ConocoPhillips, Chrysaor Petroleum Company U.K. Limited, through arrangements with an affiliate company, Chrysaor Production (U.K.) Limited (formerly ConocoPhillips (U.K.) Limited), used derivative instruments to hedge the effects of fluctuations in the price of crude oil. Any gains or losses arising from commodity derivative contracts are recognised in the income statement in line with the underlying sales transaction.

d. Fair Values

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques.

Preference Share Capital

Preference shares in Chrysaor Petroleum Company U.K. Limited are classified as liabilities (note 22) and the dividends on these preference shares are recognised in the Income statement as finance costs.

Share Based Payments

The Combined COP Subsidiaries Historical Financial Information has applied the requirements of IFRS2 "Share-based Payment". The entity receiving the benefit of service should recognise an expense relating to share based payments irrespective of whether the entity holds the employee's contract of service.

In the period under prior ownership by ConocoPhillips, all employees were eligible to participate in the ConocoPhillips Share Incentive Plan. The shares in the former ultimate parent company, ConocoPhillips, purchased by the employees were eligible for matching by Chrysaor Petroleum Company U.K. Limited. In accordance with IFRS2, Chrysaor Petroleum Company U.K. Limited recorded an expense of obtaining the matching shares to satisfy the terms of the Partnership Share Agreement for employees who provided services to the company.

Certain eligible employees were also awarded Restricted Stock Units as part of the Restricted Stock Programme granted by ConocoPhillips. The awards were held in escrow until the restrictions lapsed. Chrysaor Petroleum Company U.K. Limited recorded the expense of obtaining the shares in the former ultimate parent company, ConocoPhillips, to satisfy its obligations to the employees who provided services to the company. A liability equal to the cost of obtaining the shares to satisfy the company's obligations to employees was recognised for each cash-settled share based payment.

All obligations of Chrysaor Petroleum Company U.K. Limited under the ConocoPhillips Share Incentive Plan and Restricted Stock Programme ceased when the company became part of the Chrysaor Group.

Inventories

Hydrocarbon inventories are stated at net realisable value with movements recognised in the income statement. All other inventories are stated at the lower of cost and net realisable value. The cost of materials is the purchase cost, determined on first-in, first-out basis.

Provisions for Liabilities

A provision is recognised when the Companies have a legal or constructive obligation as a result of a past event; 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 the income statement net of any reimbursement. 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 risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the income statement.

The estimated cost of dismantling and restoring the production and related facilities at the end of the economic life of each field is recognised in full at the commencement of oil and gas production. The amount provided is the present value of the estimated future restoration cost. A non-current asset is also recognised. Any changes to estimated costs or discount rates are dealt with prospectively.

Trade Payables

Initial recognition of trade payables is at fair value. Subsequently they are stated at amortised cost.

Taxes

i. Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Companies operate and generate taxable income.

Current income tax related to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or directly in equity not in the income statement.

ii. Deferred Tax

Deferred taxation is recognised in respect of all timing differences arising between the tax bases of the assets and liabilities and their carrying amounts in the Historical Financial Information with the following exceptions:

- Deferred income tax assets are recognised only to the extent that it is probable that the taxable profit will be available against which the deductible temporary difference, carried forward tax credits or tax losses can be utilised.
- Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the reporting date. The carrying amount of the deferred income tax asset is reviewed at each reporting sheet date.
- Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to offset current assets against current tax liabilities, the deferred income tax relates to the same tax authority and that same tax authority permits the Companies to make a single net payment.
- Deferred taxation is not provided where a permanent difference arises between the tax basis of an asset and the carrying value of that asset.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognised when the Companies satisfy a performance obligation by transferring a good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. Revenue associated with the sale of crude oil, natural gas, and natural gas liquids is measured based on the consideration specified in contracts with customers with reference to quoted market prices in active markets, adjusted according to specific terms and conditions as applicable according to the sales contracts. The transfer of control of oil, natural gas, natural gas liquids and other items sold by the Companies occurs when title passes at the point the customer takes physical delivery. The Companies principally satisfy their performance obligations at this point in time.

Over/Underlift

Revenues from the production of oil and natural gas properties in which the Companies have an interest with partners are recognised based on the Companies' working interest in those properties (the entitlement method). Differences between the production sold and the Companies' share of production result in an overlift or an underlift. Overlift and underlift are valued at market value and included within payables or receivables respectively. Movements during the accounting period are recognised within cost of sales in the income statement such that gross profit is recognised on an entitlement basis.

Interest Income

Interest income is recognised on an accruals basis, by reference to the principal outstanding and at the effective interest rate method.

Critical Accounting Judgements and Estimates

The preparation of the Historical Financial Information of the Combined COP Subsidiaries in conformity with IFRS requires management to make judgements, estimates and assumptions at the date of the Historical Financial Information. Estimates and assumptions are continuously evaluated and are based on management experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. In particular, the Companies have identified the following areas where significant judgement, estimates and assumptions are required.

- *Exploration and Evaluation Expenditure*

As at 31 December 2019, the Combined COP Subsidiaries held a balance of USS73.1 million (31 December 2018: US$68.5 million, 31 December 2017: US$173.1 million) relating to expenditure on unproved hydrocarbon resources within other intangible assets which represent active exploration and evaluation activities. The application of the Companies' accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in the income statement in the period when the new information becomes available.

Key Sources of Estimation Uncertainty

- *Recoverability of Oil and Gas Assets*

The Companies assess each asset or cash generating unit each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value-in-use. The assessments of fair value less cost of disposal requires the use of estimates and assumptions on uncontrollable parameters such as long-term oil prices (considering current and historical prices, price trends and related factors, foreign exchange rates and discount rates. The Companies' estimate of the recoverable value of its assets is sensitive to commodity prices and discount rates. A change in the long-term price assumptions of 10 per cent., and a 2 per cent. change in the post-tax discount rate are considered to be reasonably possible for the purposes of sensitivity analysis, the result of which can be found in note 13.

- *Decommissioning Costs*

Decommissioning costs will be incurred by the Companies at the end of the operating life of most of the Companies' facilities and properties. The Companies assess the decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including the expected timing, extent and amount of expenditure. On the basis that all other assumptions in the calculation remain the same, a 10 per cent. increase in the cost estimates and a 10 per cent. decrease in the discount rates used to assess the final decommissioning obligation at 31 December 2019 would result in increases to the decommissioning provision of approximately US$105 million and US$43 million respectively. This change would be principally offset by a change to the value of the associated asset.

- *Recovery of Deferred Tax Assets*

Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Companies will recover the value. This includes ensuring that the Companies have the ability to carry back abandonment tax losses against prior period profits.

- *Climate Change*

The Chrysaor Group recognises that there may be potential financial implications in the future from climate change risk. The Chrysaor Group expects that climate change policies, legislation and regulation will increase, and likely on accelerating timelines which, although will result in intended benefits, is likely to increase associated costs and administration requirements as well as potentially limiting the investment capital available to the industry. These in due course may well have an impact across a number of areas of accounting including impairment, fair values, increased costs, onerous contracts, contingent liabilities. However as at the balance sheet date the Chrysaor Group believes there is no material impact on balance sheet carrying values of assets or liabilities in the Historical Financial Information of the Combined COP Subsidiaries. Although this is an estimate, it is not considered a critical estimate, as management's view is that at the end of the current reporting period there is no significant risk of climate change resulting in a material adjustment to the carrying amounts of assets and liabilities, within the next financial year.

3. Segment Information

The Combined COP Subsidiaries' activities consist of one class of business – the acquisition, exploration, development and production of oil and gas reserves and related activities in one geographical area being the UK North Sea.

4. Revenue and Other Income

	For the years ended 31 December		
	2017 *$000*	*2018* *$000*	*2019* *$000*
Crude oil sales	2,350,075	2,771,630	1,289,993
Gas sales	208,373	322,111	255,293
Condensate sales	94,957	90,899	48,665
Hydrocarbon revenue	2,653,405	3,184,640	1,593,951
Tariff and other revenue	9,758	9,355	8,591
Total revenue from production activities	2,663,163	3,193,995	1,602,542
Other income – IFRS16 lease accounting-partner recovery	7,694	15,841	15,076
Total revenue and other income	2,670,857	3,209,836	1,617,618

Revenue of US$1,558.3 million (2018: US$3,220.1 million; 2017: US$2,640.4 million) were from contracts with customers. Revenue from contracts with customers excludes realised hedging gains on crude and gas sales of US$44.2 million (2018: losses of US$26.1 million; 2017: gains of US$22.8 million).

5. Operating (Loss)/Profit

This is stated after charging/(crediting):

	For the years ended 31 December		
	2017 *$000*	*2018* *$000*	*2019* *$000*
Movement in over/under-lift balances and hydrocarbon inventories	4,955	19,379	5,087
Purchase of crude from ConocoPhillips group undertakings	2,158,468	2,509,460	1,016,394
Production, insurance and transportation costs	203,984	214,052	196,299
Depreciation of property, plant and equipment (note 13)	303,526	307,878	151,420
Depreciation of IFRS 16 right of use assets (note 14)	11,690	23,799	22,648
Capitalisation of IFRS16 lease depreciation (note 14)	(3,728)	(8,124)	(7,731)
Impairment (credit)/charge due to change in decommissioning provision (note 13)	(3,124)	(4,960)	942
Impairment of property, plant and equipment (note 13)	52,388	—	—
Impairment loss on inventory	969	181	—
Exploration and evaluation expenses	2,932	2,544	969
Exploration costs written-off (note 12)	56	12,820	1,683
Share based payments expense (note 11)	1,481	1,494	1,113
Auditors' remuneration – audit of the financial statements	—	—	—

For the year ended 31 December 2019, the auditors' remuneration of US$370,000 (2018: US$132,000; 2017: US$123,000) for the audit of the Companies' financial statements was borne by another group company and was not recharged to the Companies.

6. Gain on disposal of investments in subsidiary and associate undertakings

On 18 September 2019, Chrysaor Petroleum Company U.K. Limited sold its 100 per cent. interest in ConocoPhillips Pension Plan Trustees Limited to ConocoPhillips (U.K.) Holdings Limited for cash consideration of US$128, reflecting the called up share capital of that company. No gain or loss arose on the disposal of this subsidiary undertaking.

On 1 July 2019, Chrysaor Petroleum Company U.K. Limited sold its 40.25 per cent. interest in an associate undertaking, Norpipe Terminal Holdco Limited, to ConocoPhillips (U.K.) Teesside Operator Limited for cash consideration of US$144.1 million. A pre-tax gain on disposal of US$144.1 million has been recognised in the Combined COP Subsidiaries Historical Financial Information. No current tax arose on the disposal.

On 18 December 2018, Chrysaor (U.K.) Sigma Limited sold its entire 100 per cent. shareholding in ConocoPhillips (U.K.) Psi Limited to BP for cash consideration of US$206.8 million. BP also subsequently settled debt of US$1,600.0 million. Prior to that transaction, on 12 December 2018, Chrysaor (U.K.) Sigma Limited transferred 16.5 per cent. of its 24 per cent. interest in the BP-operated Clair Field to ConocoPhillips (U.K.) Psi Limited. Chrysaor (U.K.) Sigma Limited continues to hold a 7.5 per cent. interest in the Clair Field. A pre-tax gain on disposal of US$151.9 million has been recognised in the Combined COP Subsidiaries Historical Financial Information. No current tax arose on the disposal. A deferred tax liability of US$338.9 million was released and is reported as part of gain on disposal.

7. Staff Costs

The Companies had no employees during the year (2018: nil; 2017: nil). All employees' contracts of employment were held by another group undertaking not included in the combination.

8. Finance Income and Finance Expenses

	For the years ended 31 December		
	2017	*2018*	*2019*
	$000	*$000*	*$000*
Finance income:			
Bank interest receivable	269	2,743	2,341
Other interest	606	9	357
Intercompany interest	2,068	2,894	1,053
Foreign exchange gains	—	923	—
	2,943	6,569	3,751
Finance expenses:			
Other interest	(114)	(46)	(1,112)
Lease interest (note 14)	(3,422)	(5,750)	(4,421)
Dividends paid on preference shares	(2,823)	(2,909)	(2,860)
Foreign exchange losses	(3,361)	—	(19,116)
Bank interest	(718)	(2,988)	(1,413)
Unwinding of discount on decommissioning and other provisions (note 23)	(30,084)	(32,121)	(29,388)
	(40,522)	(43,814)	(58,310)

9. Directors' Remuneration

a) For the period under prior ownership:

For the first 9 months of the year ended 31 December 2019 and the years ended 31 December 2018 and 31 December 2017, no remuneration was paid to the directors for their qualifying services in respect of the Companies. As ConocoPhillips managed its operations at a divisional and geographical level it was not deemed practicable to apportion directors' remuneration between qualifying services for the Companies and other group companies in which they held office. No directors received any compensation for loss of office.

b) For the period under Chrysaor Group ownership:

For the final 3 months of the year ended 31 December 2019 when the Companies were under Chrysaor Group ownership, directors' remuneration, including total salaries, other emoluments and benefits was paid by Chrysaor E&P Services Limited. The directors do not believe that it is practicable to apportion their remuneration between their services as directors of the Companies and their services as directors or employees of other companies in the Chrysaor Group.

10. Income Tax

	For the years ended 31 December		
	2017	*2018*	*2019*
	$000	*$000*	*$000*
Current income tax (credit)/expense:			
UK corporation tax	19,362	92,456	93,418
UK petroleum revenue tax	(250)	—	(17)
Group relief prior year	(27,186)	(3,813)	1,805
Adjustments in respect of prior years	(4,392)	67	(3,317)
Total current income tax (credit)/expense	(12,466)	88,710	91,889
Deferred tax (credit)/expense:			
UK petroleum revenue tax	581	485	372
Origination and reversal of temporary differences	(56,716)	(43,722)	(20,952)
Adjustments in respect of prior years	1,576	—	32
Total deferred tax (credit)	(54,559)	(43,237)	(20,548)
Tax (credit)/expense in the income statement	(67,025)	45,473	71,341
The tax (credit)/expense in the income statement is disclosed as follows:			
Income tax (credit)/expense on continuing operations	(67,025)	45,473	71,341
	(67,025)	45,473	71,341

The major components of income tax (credit)/expense are:

A reconciliation between total tax (credit)/expense and the accounting profit multiplied by the standard rate of corporation tax and supplementary charge applying to UK oil and gas production operations for the years ended 31 December 2019, 2018 and 2017 is as follows:

	For the years ended 31 December		
	2017 *$000*	*2018* *$000*	*2019* *$000*
(Loss)/profit before taxation	(89,619)	260,244	325,836
(Loss)/profit before taxation at 40.0%	(35,848)	104,098	130,334
Effects of:			
Expenses not deductible for tax purposes	25,264	26,162	4,610
Adjustments in respect of prior years	(2,816)	67	(3,285)
Impact of profits/(losses) relieved at different rates	(2,206)	3,642	(4,229)
Investment allowance	(11,216)	(18,503)	(5,179)
Petroleum revenue tax (net of corporation tax)	199	291	213
Group/other reliefs	(27,186)	(3,813)	1,805
Non-ring fence losses not recognised	—	—	7,712
Share of net profit of associate undertaking	(4,280)	(5,725)	(3,010)
Held over gains taxable in fellow group company	(8,936)	—	—
Gain on sale not taxable	—	(60,746)	(57,630)
Total tax (credit)/expense reported in the combined income statement	(67,025)	45,473	71,341

The origination of and reversal of temporary differences are, as shown in the next table, related primarily to movement in the carrying amounts and tax base values of expenditure for the current and prior periods and the timing of when these items are charged and/or credited against accounting and taxable profit.

Deferred tax

Deferred tax presented net on the Combined COP Subsidiaries balance sheet is as follows:

	Accelerated Capital Allowances *$000*	*Abandonment* *$000*	*Investment Allowance* *$000*	*Deferred PRT* *$000*	*Other* *$000*	*Total* *$000*
As at 1 January 2017	(810,214)	398,809	12,769	2,550	(8,591)	(404,677)
Deferred tax (expense)/credit	(4,536)	42,370	7,076	(348)	9,997	54,559
Foreign exchange	(77,772)	40,433	1,601	225	(287)	(35,800)
As at 31 December 2017	(892,522)	481,612	21,446	2,427	1,119	(385,918)
Deferred tax credit/(expense)	47,170	(20,601)	15,298	(291)	1,661	43,237
Disposals	377,935	(39,043)	—	—	—	338,892
Foreign exchange	29,318	(23,566)	(1,867)	(119)	(137)	3,629
As at 31 December 2018	(438,099)	398,402	34,877	2,017	2,643	(160)
Deferred tax credit/(expense)	3,046	20,591	(2,060)	(224)	(805)	20,548
Foreign exchange	(8,958)	13,566	1,100	60	60	5,828
As at 31 December 2019	(444,011)	432,559	33,917	1,853	1,898	26,216

Deferred tax assets are recognised to the extent that the future benefit is probable. Relevant tax law is considered, together with the ability to carry back abandonment tax losses against prior period profits.

In 2018, the Combined COP Subsidiaries disposed of a subsidiary undertaking which held a 16.5 per cent. interest in the BP-operated Clair Field (note 6).

At 31 December 2019, the deferred tax asset recognised is only partially offset by the deferred tax liability, resulting in an overall net deferred tax asset as at 31 December 2019.

The Companies have non-ring fence tax losses of US$19.3 million (2018: US$nil; 2017: US$nil). An associated deferred tax asset of US$3.7 million (2018: US$nil; 2017: US$nil) has not been recognised in respect of these losses due to uncertainty of recovery.

Changes in tax rate

Legislation introduced in Finance Bill 2020, which was substantively enacted on 17 March 2020, retained the main rate of UK corporation tax for non-ring fence profits at 19 per cent. from 1 April 2020. This has no material impact on the Companies.

11. Cash Settled Share Based Payments

Share Incentive Plan

The Companies have applied the requirements of IFRS2 "Share-based Payment". The Companies have recognised an expense relating to share based payments for employees who provided services to the Companies even though these entities did not hold the employees' contracts of service.

During the period under prior ownership, all ConocoPhillips employees were eligible to participate in the ConocoPhillips Share Incentive Plan. Employees could contribute a portion of their pre-tax monthly salary. The employee's contributions were then used to purchase shares in the Companies' former ultimate parent company, ConocoPhillips, at market value. Contributions up to 2.5 per cent. of base salary (2018: 2.5 per cent.) were eligible for company matching on a "2 for 1" basis. The matching shares had to be left in the plan for at least five years to qualify for tax relief.

All obligations of the Companies' under the ConocoPhillips Share Incentive Plan ceased when the Companies became part of the Chrysaor Group. For employees transferring to the Chrysaor Group on 30 September 2019, all shares received from the plan qualified for tax relief.

For the period under prior ownership by ConocoPhillips, to satisfy the obligations under the ConocoPhillips Share Incentive Plan, the Companies' recognised an expense of:

	For the years ended 31 December		
	2017 *$000*	*2018* *$000*	*2019* *$000*
Matching shares	941	1,014	686
	No.	No.	No.
Number of issued ordinary shares	19,413	15,291	10,717
Average price of ordinary shares issued (US$)	48.71	67.64	64.08

Restricted Stock Units

During the period under prior ownership, certain eligible ConocoPhillips employees were awarded Restricted Stock Units (RSUs) as part of the ConocoPhillips Restricted Stock Programme. Each award was held in escrow until the restrictions on the award lapsed. When the restrictions lapsed, the number of shares of unrestricted stock in the Companies' former ultimate parent company, ConocoPhillips, equal to the number of RSUs, was registered in the name of the employee and the RSUs were terminated.

All obligations of the Companies' under the Restricted Stock Programme ceased when the Companies became part of the Chrysaor Group. For employees transferring to the Chrysaor Group on 30 September 2019, all restrictions on awards lapsed.

For the period under prior ownership by ConocoPhillips, to satisfy the obligations under the Restricted Stock Programme, the Companies recognised an expense of:

	For the years ended 31 December		
	2017	*2018*	*2019*
	$000	*$000*	*$000*
Restricted stock units	540	480	427
	No.	No.	No.
Number of lapsed RSU awards and ordinary shares issued	9,319	6,071	9,392
Exercise price of ordinary shares (US$)	48.07	54.65	69.90

12. Other Intangible Assets

	Oil and gas assets
	$000
Cost and Net Book Value:	
At 1 January 2017	156,116
Additions	789
Transfers to property, plant & equipment	23
Revision of decommissioning asset	1,172
Unsuccessful exploration written-off	(56)
Currency translation adjustment	15,042
At 31 December 2017	173,086
Additions	13,376
Transfers to property, plant & equipment	(486)
Disposals	(97,735)
Revision of decommissioning asset	(2,006)
Unsuccessful exploration written-off	(12,820)
Currency translation adjustment	(4,889)
At 31 December 2018	68,526
Additions	19,840
Transfers to property, plant & equipment	(15,016)
Revision of decommissioning asset	516
Unsuccessful exploration written-off	(1,683)
Currency translation adjustment	886
At 31 December 2019	73,069

Exploration costs written-off relates to costs associated with uncommercial well evaluations.

In 2018, the Combined COP Subsidiaries disposed of a subsidiary undertaking which held a 16.5 per cent. interest in the BP-operated Clair Field (note 6).

An increase in the decommissioning assets of US$0.5 million (2018: decrease US$2.0 million; 2017: increase of US$1.2 million) was made as a result of an update to the decommissioning estimates (note 23).

13. Property, Plant and Equipment

	Oil and gas assets $000
Cost:	
At 1 January 2017	7,329,952
Additions	214,195
Transfers of intangible assets	(23)
Revision of decommissioning asset	84,855
Currency translation adjustment	717,416
At 31 December 2017	8,346,395
Additions	183,339
Transfers of intangible assets	486
Disposals	(2,356,391)
Revision in decommissioning asset	(73,773)
Currency translation adjustment	(352,796)
At 31 December 2018	5,747,260
Additions	81,073
Transfer of intangible assets	15,016
Revision in decommissioning asset	28,194
Currency translation adjustment	164,093
At 31 December 2019	6,035,636
Accumulated Depreciation:	
At 1 January 2017	3,753,197
Charge for the year	303,526
Impairment	49,264
Currency translation adjustment	378,038
At 31 December 2017	4,484,025
Charge for the year	307,878
Impairment	(4,960)
Depreciation on disposals	(341,676)
Currency translation adjustment	(242,937)
At 31 December 2018	4,202,330
Charge for the year	151,420
Impairment	942
Currency translation adjustment	142,267
At 31 December 2019	4,496,959
Net book value:	
At 31 December 2019	1,538,677
At 31 December 2018	1,544,930
At 31 December 2017	3,862,370

In 2018, the Combined COP Subsidiaries disposed of a subsidiary undertaking which held a 16.5 per cent. interest in the BP-operated Clair Field (note 6).

An increase in the decommissioning assets of US$28.2 million (2018: decrease US$73.8 million; 2017: increase of US$84.9 million) was made as a result of an update to the decommissioning estimates (note 23). The Companies recognised a pre-tax impairment charge of US$0.9 million

(2018: credit of US$5.0 million; 2017: credit of US$3.1 million) within the income statement in respect of changes to decommissioning estimates on the Companies' non-producing assets.

No impairment charges were recognised in the years ended 31 December 2019 or 31 December 2018. In 2017, an impairment charge of US$52.4 million was recognised principally in relation to the non-operated Clair field.

The Companies use the fair value less cost of disposal method (FVLCD) to calculate the recoverable amount of the cash generating units (CGU) consistent with a level 3 fair value measurement. In determining FVLCD, appropriate discounted-cash-flow valuation models were used, incorporating market-based assumptions. Oil and gas prices are based on an internal view of management expectations derived from external financial analysts view of current prices for the first three years transitioning to a flat long term price from 2023. At 31 December 2019, the long-term commodity prices used were US$65 per barrel for crude and 50p per therm for gas.

Sensitivity analysis indicates that a 10 per cent. reduction in the oil and gas price deck applied in the impairment test at 31 December 2019 would not give rise to an impairment charge. Considering the discount rates at 31 December 2019, a 2 per cent. decrease in the post-tax rate would not give rise to an impairment charge. The impairment was calculated as detailed above.

Impairment tests were conducted for the Chrysaor Group, including the Companies, as at 30 June 2020. These resulted in an impairment charge being recognised in the Chrysaor Holdings Limited financial statements on some older gas assets as a result of the Chrysaor Group's revised view of long-term commodity prices. This would not result in a material impairment charge in the Combined COP Subsidiaries.

14. Leases – Right of Use Assets

(i) This note provides information for leases where the Companies are a lessee.

Right of Use Assets	*Land and buildings* *$000*	*Drilling Rigs* *$000*	*Equipment* *$000*	*Total* *$000*
Cost:				
At 1 January 2017	12,199	—	—	12,199
Additions	—	101,062	5,309	106,371
Currency translation adjustment	1,167	5,414	284	6,865
At 31 December 2017	13,366	106,476	5,593	125,435
Currency translation adjustment	(729)	(5,811)	(305)	(6,845)
At 31 December 2018	12,637	100,665	5,288	118,590
Currency translation adjustment	425	3,386	178	3,989
At 31 December 2019	13,062	104,051	5,466	122,579
Accumulated Depreciation:				
At 1 January 2017	—	—	—	—
Charge for the year	1,478	9,663	549	11,690
Currency translation adjustment	79	518	29	626
At 31 December 2017	1,557	10,181	578	12,316
Charge for the year	1,543	21,109	1,147	23,799
Currency translation adjustment	(155)	(1,521)	(84)	(1,760)
At 31 December 2018	2,945	29,769	1,641	34,355
Charge for the year	1,467	20,089	1,092	22,648
Currency translation adjustment	153	1,734	95	1,982
At 31 December 2019	4,565	51,592	2,828	58,985
Net book value:				
At 31 December 2019	8,497	52,459	2,638	63,594
At 31 December 2018	9,692	70,896	3,647	84,235
At 31 December 2017	11,809	96,295	5,015	113,119

Lease Liabilities	*As at 31 December* *2017* *$000*	*2018* *$000*	*2019* *$000*
Current	19,973	19,938	24,205
Non-Current	95,704	70,541	48,708
	115,677	90,479	72,913

(ii) The combined income statement includes the following amounts relating to leases:

Depreciation charge of Right of Use Assets

	For the Years Ended 31 December		
	2017	*2018*	*2019*
	$000	*$000*	*$000*
Land and buildings	1,478	1,543	1,467
Drilling rigs	9,663	21,109	20,089
Equipment	549	1,147	1,092
	11,690	23,799	22,648
Capitalisation of IFRS16 lease depreciation			
Drilling rigs	(3,527)	(7,705)	(7,332)
Equipment	(201)	(419)	(399)
Depreciation charge included within combined income statement	7,962	15,675	14,917

The depreciation charge associated with drilling rigs and equipment used in the construction of oil and gas assets has been capitalised within property, plant and equipment.

	For the years ended 31 December		
	2017	*2018*	*2019*
	$000	*$000*	*$000*
Lease interest (included in finance expenses – note 8)	3,422	5,750	4,421

The total cash outflow for leases was US$24.3 million (2018: US$25.5 million; 2017: US$12.7 million).

(iii) The Companies' leasing activities and how these are accounted for

The Companies leases buildings, drilling rigs and ancillary equipment as part of their oil and gas operations, with the leases expiring in 2020 through to 2033. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Until the 2016 financial year, these leases were classified as operating leases and payments made under these leases (net of any incentives received from the lessor) were charged to the income statement on a straight-line basis over the period of the lease.

From 1 January 2017, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Companies. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis reflecting the net present value of the fixed lease payments and amounts expected to be payable by the Companies assuming leases run to full term. The Companies have applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Companies are reasonably certain to exercise such options impacts the lease term, which significantly impacts the amount of lease liabilities and right-of-use assets recognised.

The lease payments are discounted using the Chrysaor Group's incremental borrowing rate, being the rate that the Companies would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Chrysaor Group where possible:

- uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- makes adjustments specific to the lease, for example term, country, currency and security

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2017 was 5.32 per cent. and for new lease liabilities recognised in 2017 was 5.46 per cent.. There were no new lease liabilities recognised in 2018 or 2019.

The Companies are exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs and restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. The Companies have no short-term leases or leases of low value recognised as an expense in the income statement.

15. Investments in subsidiaries

At 31 December 2019 the subsidiary undertakings of the Companies were:

Name of company	*Country of incorporation*	*Main activity*
Chrysaor (U.K.) Theta Limited (i)	UK	Oil and gas
Chrysaor (U.K.) Chi Limited (ii)	UK	Dormant company
Chrysaor (U.K.) Phi Limited (ii)	UK	Dormant company
Chrysaor (U.K.) Lambda Limited (iii)	ROI	Dormant company
Chrysaor Production Oil (GB) Limited (iv)	UK	Dormant company
Chrysaor Petroleum Chemicals U.K. Limited (iv)	UK	Dormant company

(i) Held by Chrysaor (U.K.) Sigma Limited

(ii) Held by Chrysaor (U.K.) Sigma Limited; dissolved on 7 April 2020

(iii) Held by Chrysaor (U.K.) Theta Limited

(iv) Held by Chrysaor Petroleum Company U.K. Limited

The Companies hold 100 per cent. of the share capital and voting rights in each of the companies above, unless otherwise stated. Chrysaor (U.K.) Theta Limited holds 100 per cent. of the ordinary share capital and voting rights and 99 per cent. of the €1.26997 shares in Chrysaor (U.K.) Lambda Limited.

All the subsidiaries are registered in England and Wales, with the exception of Chrysaor (U.K.) Lambda Limited, which is registered in the Republic of Ireland. The registered office of all subsidiaries noted above is Brettenham House, Lancaster Place, London, United Kingdom, WC2E 7EN, apart from Chrysaor (U.K.) Lambda Limited whose registered office is Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland.

During the period covered by the Historical Financial Information, the companies below were also subsidiary undertakings of the Companies:

Name of company	*Country of incorporation*	*Main activity*
ConocoPhillips (U.K.) Psi Limited (v)........................	UK	Oil and gas
ConocoPhillips Pension Plan Trustees Limited (vi)..	UK	Dormant company

(v) Held by Chrysaor (U.K.) Sigma Limited; sold on 18 December 2018

(vi) Held by Chrysaor Petroleum Company U.K. Limited; sold on 18 September 2019

Chrysaor Petroleum Company U.K. Limited's 100 per cent. interest in ConocoPhillips Pension Plan Trustees Limited was sold on 18 September 2019 to ConocoPhillips (U.K.) Holdings Limited for cash consideration of US$128, reflecting the called up share capital of that company.

During 2018 Chrysaor (U.K.) Sigma Limited acquired additional shares in ConocoPhillips (U.K.) Psi Limited and as a result increased its investment in that company by US$67.3 million. On 18 December 2018, the company sold its 100 per cent. interest in ConocoPhillips (U.K.) Psi Limited to BP for a cash consideration of US$206.8 million.

16. Investments accounted for using the equity method

Investment in associate undertaking

	$000
At 1 January 2017	14,519
Share of net profit of associate undertaking	10,700
Share of dividends paid and declared by associate undertaking	(9,809)
Currency translation adjustment	1,437
At 31 December 2017	16,847
Share of net profit of associate undertaking	14,312
Share of dividends paid and declared by associate undertaking	(9,788)
Share of movement in net liabilities resulting from group reconstruction	(51,231)
Currency translation adjustment	1,216
Share of net liabilities at 31 December 2018	(28,644)
Adjustment to investment carrying value	28,644
At 31 December 2018	—
Share of net profit of associate undertaking	7,526
Share of dividends paid and declared by associate undertaking	(686)
Adjustment to investment carrying value	(6,840)
Investment carrying value at date of disposal	—
Disposal of investment	—
At 31 December 2019	—

Particulars of associate undertaking:	**Proportion of shares & voting rights**
Norpipe Terminal Holdco Limited.....................	40.25% (held by Chrysaor Petroleum Company U.K. Limited prior to sale on 1 July 2019)

In July 2018, Chrysaor Petroleum Company U.K. Limited increased its shareholding in its associated undertaking from 29.26 per cent. to 40.25 per cent. after the existing shareholders agreed to acquire their pro-rata share of Equinor's 27.3 per cent. interest in Norsea Pipeline Limited. Following changes in the group structure Chrysaor Petroleum Company U.K. Limited held a 40.25 per cent.

investment in Norpipe Terminal Holdco Limited, which, in turn, held 100 per cent. of Norsea Pipeline Limited.

Following the group reconstruction, as at 31 December 2018 and 1 July 2019, Norpipe Terminal Holdco Limited had net liabilities. The share of movement in net liabilities of the associate undertaking and the subsequent adjustment to investment carrying value to record this as US$nil is reflected in the Combined Statement of Comprehensive Income. No specific support or guarantees were provided to the associate company.

Chrysaor Petroleum Company U.K. Limited's 40.25 per cent. interest in Norpipe Terminal Holdco Limited was sold on 1 July 2019 to ConocoPhillips (U.K.) Teesside Operator Limited for cash consideration of US$144.1 million.

Investments accounted for using the equity method

Summarised financial information for associate undertaking:

	As at 31 December		
	2017 *$000*	*2018* *$000*	*2019* *$000*
Non-current assets	231,848	260,231	—
Current assets	30,757	32,990	—
Total assets	262,605	293,221	—
Current liabilities	(141,535)	(179,415)	—
Non-current liabilities	(63,492)	(184,972)	—
Total liabilities	(205,027)	(364,387)	—
Net assets/(liabilities)	57,578	(71,166)	—
Chrysaor Petroleum Company U.K. Limited's share in %	29.26%	40.25%	—
Chrysaor Petroleum Company U.K. Limited's share of net assets/(liabilities)	16,847	(28,644)	—
Adjustment to investment carrying value	—	28,644	—
Investment carrying value	16,847	—	—
Revenue	144,560	134,724	122,460
Profit for the financial year	37,396	42,293	36,570
Chrysaor Petroleum Company U.K. Limited's share of Profit for the financial year in %	29.26%	33.84% average equity for year	40.25% pro-rated for 6 months
Chrysaor Petroleum Company U.K. Limited's share of Profit for the financial year	10,700	14,312	7,526

17. Inventories

	As at 31 December		
	2017	*2018*	*2019*
	$000	*$000*	*$000*
Hydrocarbons	22,583	7,889	2,617
Consumables and subsea supplies	36,753	31,756	35,531
	59,336	39,645	38,148

Hydrocarbon inventories are measured at net realisable value. Following a review of inventories, no impairment charge was recognised in 2019 (2018: US$0.2 million, 2017: US$1.0 million).

18. Trade and Other Receivables

	As at 31 December		
	2017	*2018*	*2019*
	$000	*$000*	*$000*
Current			
Trade debtors	281,821	365,686	87,120
Under-lift position	19,059	20,009	3,045
Amounts owed by related parties (note 27)	2,776	3,956	—
Other debtors	8,960	12,643	9,834
Prepayments and accrued income	1,068	7,235	1,273
Corporation tax receivable	—	7,159	—
	313,684	416,688	101,272

Trade and other debtors are non-interest bearing and are generally on 20 to 30 days' terms. As at 31 December 2019, no ECLs have been recognised relating to any receivable balance (2018: US$nil; 2017: US$nil).

	As at 31 December		
	2017	*2018*	*2019*
	$000	*$000*	*$000*
Non-Current			
Prepayments and accrued income	—	1,170	—

19. Amounts Due from Group Undertakings

	As at 31 December		
	2017	*2018*	*2019*
	$000	*$000*	*$000*
Current			
Amounts owed by group undertakings	1,710,193	102,115	192,276
Amounts owed by parent companies in respect of taxation	94,148	12,954	14,800
	1,804,341	115,069	207,076

All amounts owed by group companies at 31 December 2019 are unsecured, interest free and are repayable on demand. Short term group loans of US$10.0 million were outstanding with ConocoPhillips at 31 December 2018 (2017: US$1,672.3 million). These loans were interest bearing with a variable interest rate which was linked to LIBOR.

As at 31 December 2019, no ECLs have been recognised relating to any receivable balance (2018: US$nil; 2017: US$nil).

	As at 31 December		
	2017	*2018*	*2019*
	$000	*$000*	*$000*
Non-Current			
Amounts owed by group undertakings	108,184	102,280	832,545

All amounts owed by group companies at 31 December 2019 are unsecured, interest free and are repayable on demand. A new loan of US$701.3 million was advanced to the Companies during 2019 by a group undertaking not included in this combination.

The Companies have confirmed that they will not seek repayment of the group loans outstanding at 31 December 2019 of US$832.5 million until at least 12 months from the date of approval of this Historical Financial Information and so the loans have been classified as long term.

Loans of US$102.3 million owed by group companies outstanding at 31 December 2018 (2017: US$108.2 million) were interest bearing with a variable interest rate which was linked to LIBOR.

As at 31 December 2019, no ECLs have been recognised relating to any receivable balance (2018: US$nil; 2017: US$nil).

20. Cash and Cash Equivalents

	As at 31 December		
	2017	*2018*	*2019*
	$000	*$000*	*$000*
Cash at bank and in hand	997,531	1,113,470	18

Cash at bank earns interest at floating rates based on daily bank deposit rates. The Companies only deposit cash with major banks of high-quality credit standing.

21. Commitments

Capital Commitments

As at 30 December 2019, the Companies had commitments for future capital expenditure amounting to US$40.4 million (2018: US$56.4 million; 2017: US$217.7 million). Where the commitment relates to a joint arrangement, the amount represents the Companies' net share of the commitment. Where the Companies are not the operator of the joint arrangement then the amounts are based on the Companies' net share of committed future work programmes.

22. Trade and Other Payables

	As at 31 December		
	2017	2018	2019
	$000	$000	$000
Current			
Trade payables	72,406	49,914	23,123
Overlift position	1,112	27,450	10,934
Amounts owed to group undertakings	225,462	398,515	680,428
Amounts due to parent companies in respect of taxation	—	1,561	1,480
Other payables	6,882	6,576	3,408
Accruals and deferred income	58,985	69,505	72,503
Corporation tax payable	44,350	—	63,718
	409,197	553,521	855,594

All amounts owed to group undertakings are unsecured, interest free and repayable on demand. Included in amounts owed to group undertakings at 31 December 2019 is a loan of US$592.1 million which is unsecured, interest free and repayable on demand.

Non-Current

	2017	2018	2019
	$000	$000	$000
Preference share capital	50,000	50,000	50,000
	50,000	50,000	50,000

The cumulative redeemable preference shares, which were issued in 1996, are redeemable at any time upon one months' notice from the Company. They carry a fixed dividend of 5.75 per cent. payable quarterly in arrears and carry no voting rights unless the preference dividend is in arrears by six months or more. They have no premium paid on redemption and have preferential rights over the ordinary shares to receive on winding up the amount of US$100 per share together with the accrued dividend.

Preference shares are classified as liabilities and the dividends on these preference shares are recognised in the Income statement as finance costs.

23. Provisions

	Decommissioning provision $000	*Other $000*	*Total $000*
At 1 January 2017	990,301	1,433	991,734
Additions	7,460	—	7,460
Changes in estimates – increase in decommissioning asset	78,567	—	78,567
Amounts used	(3,193)	(1,490)	(4,683)
Unwinding of discount (note 8)	30,084	—	30,084
Currency translation adjustment	100,810	57	100,867
At 31 December 2017	1,204,029	—	1,204,029
Additions	3,609	—	3,609
Changes in estimates – decrease in decommissioning asset	(79,388)	—	(79,388)
Disposals	(97,620)	—	(97,620)
Amounts used	(7,862)	—	(7,862)
Unwinding of discount (note 8)	32,121	—	32,121
Currency translation adjustment	(58,888)	—	(58,888)
At 31 December 2018	996,001	—	996,001
Additions	8,053	—	8,053
Changes in estimates – increase to decommissioning asset	20,657	—	20,657
Amounts used	(6,622)	—	(6,622)
Unwinding of discount (note 8)	29,388	—	29,388
Currency translation adjustment	33,916	—	33,916
At 31 December 2019	1,081,393	—	1,081,393
At 31 December 2019 classified within:			
Current liabilities	21,214	—	21,214
Non-current liabilities	1,060,179	—	1,060,179
	1,081,393	—	1,081,393
At 31 December 2018 classified within:			
Current liabilities	13,252	—	13,252
Non-current liabilities	982,749	—	982,749
	996,001	—	996,001
At 31 December 2017 classified within:			
Current liabilities	4,348	—	4,348
Non-current liabilities	1,199,681	—	1,199,681
	1,204,029	—	1,204,029

In 2018, the Combined COP Subsidiaries disposed of a subsidiary undertaking which held a 16.5 per cent. interest in the BP-operated Clair Field (note 6).

The Companies provide for the estimated future decommissioning costs on their oil and gas assets at the balance sheet date. The payment dates of expected decommissioning costs are uncertain and are based on economic assumptions of the fields concerned. The Companies currently expect to incur decommissioning costs over the next 30 years, the majority of which are anticipated to be incurred between the next 10 to 20 years. Decommissioning provisions are discounted at a risk-free rate of between 2.3 per cent. and 2.8 per cent. (2018: 2.7 per cent. and 3.0 per cent.; 2017: 2.4 per cent. and 2.7 per cent.) and the unwinding of the discount is presented within finance costs.

These provisions have been created based on internal and third-party estimates. Assumptions based on the current economic environment have been made, which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to consider any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon market prices for the necessary decommissioning work required, which will reflect market conditions at the relevant time. In addition, the timing of decommissioning liabilities will depend upon the dates when the fields become economically unviable, which in itself will depend on future commodity prices, which are inherently uncertain.

The changes in decommissioning estimates recorded in each financial year include the impact of both changes to expected cost estimates and changes in the discount rates applied.

24. Derivative Financial Instruments

In the period under prior ownership by ConocoPhillips, Chrysaor Petroleum Company U.K. Limited, through arrangements with an affiliate company, Chrysaor Production (U.K.) Limited (formerly ConocoPhillips (U.K.) Limited), used derivative instruments to hedge the effects of fluctuations in the price of crude oil. Any gains or losses arising from commodity derivative contracts are recognised in the income statement in line with the underlying sales transaction.

There were no open derivative contracts held by the Companies as at 31 December 2019, 31 December 2018 or 31 December 2017.

Changes in the fair value of derivative financial instruments recognised within the income statement are as follows:

Non-Current

	2017	*2018*	*2019*
	$000	*$000*	*$000*
Net gain/(loss) on derivative instruments	22,793	(26,066)	44,199

25. Financial Risk Factors and Risk Management

The Companies' principal financial assets and liabilities comprise trade and other receivables, cash and bank overdrafts, trade and other payables, and interest bearing and non-interest bearing intercompany loans. The main purpose of these financial instruments is to manage short-term cash flow and price exposures and raise finance for the Companies' expenditure programmes.

Risk Exposures and Responses

In the periods under prior ownership by ConocoPhillips, the Companies managed their exposure to key financial risks in accordance with ConocoPhillips group financial risk management policy. In the period under ownership by the Chrysaor Group, these risks are managed in accordance with the Chrysaor Group financial risk management policy. The objectives of both policies are to support the delivery of the group financial targets while protecting future financial security.

The main risks that could adversely affect the Companies' financial assets, liabilities, or future cash flows are: market risks comprising commodity price risk, interest rate risk and foreign currency risk, liquidity risk, and credit risk. The policies for managing each of these risks are summarised below.

For the respective periods of ownership, the management of financial risks has been overseen by senior management of the ConocoPhillips group and Chrysaor Group to ensure that financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the relevant group policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience, and supervision. No trading in derivatives for speculative purposes is undertaken by the Companies.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commodity price risk, interest rate risk and foreign currency risk. Financial instruments mainly affected by market risk include intercompany loans, cash, and derivative financial instruments.

a. Commodity Price Risk

The Companies are exposed to the risk of fluctuations in prevailing market commodity prices on the mix of oil and gas products.

In the periods under prior ownership by ConocoPhillips, generally the group policy was to remain exposed to market prices of commodities, however, executive management could elect to use derivative instruments to hedge the price risk of crude oil and gas production. In the period under prior ownership by ConocoPhillips, Chrysaor Petroleum Company U.K. Limited, through arrangements with an affiliate company, Chrysaor Production (U.K.) Limited (formerly ConocoPhillips (U.K.) Limited), used derivative instruments to hedge the effects of fluctuations in the price of crude oil. Any gains or losses arising from commodity derivative contracts are recognised in the income statement in line with the underlying sales transaction (note 24).

At 31 December 2019, on a rolling basis, the Chrysaor Group's policy was to hedge the commodity price exposure associated with 40 to 60 per cent. of the next 12 months' production, between 30 and 50 per cent. in the following 12-month period, and up to 40 per cent. in the subsequent 24-month period. The Chrysaor Group manages these risks through the use of fixed priced contracts with customers for physical delivery and derivative financial instruments including fixed priced swaps and options. All derivative financial instruments are held by another Chrysaor Group undertaking and there were no derivative financial instruments held by the Companies during the period under Chrysaor Group ownership.

Financial Risk Factors and Risk Management

b. Interest Rate Risk

The Companies may be exposed to interest rate risk resulting from intercompany loans and banking arrangements.

In the periods under prior ownership by ConocoPhillips, interest charged on group loans was linked to LIBOR and therefore was exposed to movements in UK rates. The ConocoPhillips group did not comprehensively hedge its exposure to interest rate changes. No derivative contracts were entered into by the Companies during the periods under prior ownership by ConocoPhillips to hedge their exposure to interest rate changes.

The Chrysaor Group monitors its exposure to fluctuations in interest rates and uses interest rate derivatives to manage the fixed and floating composition of its borrowings. All Chrysaor Group cash balances are held by Chrysaor E&P Finance Limited. All intercompany loans held by the Companies are now interest free.

c. Foreign Currency Risk

The Companies are exposed to foreign exchange risks to the extent they transact in various currencies, while measuring and reporting their results in US Dollars. Since time passes between the recording of a receivable or payable transaction and its collection or payment, the Companies are exposed to gains or losses on non-USD amounts and on balance sheet translation of monetary accounts denominated in non-USD amounts upon spot rate fluctuations from period to period. To mitigate exposure to movements in exchange rates, wherever possible financial assets and liabilities are held in currencies that match the functional currency of the relevant entity. The Companies included in the Combined COP Subsidiaries have functional currencies of Pounds Sterling and US Dollar. Exposures can also arise from sales or purchases denominated in currencies other than the functional currency of the relevant entity.

In the periods under prior ownership by ConocoPhillips, the ConocoPhillips group did not comprehensively hedge its exposure to foreign currency risk. No derivative contracts were entered into by the Companies during the periods under prior ownership by ConocoPhillips to hedge their exposure to foreign currency rate risk.

The Chrysaor Group monitors its exposure to fluctuations in foreign currency rates and such exposures are monitored and hedged with agreement from the Board. As at 31 December 2019 the Companies had not entered into any exchange rate derivatives.

The following table demonstrates the sensitivity to a reasonably foreseeable change in US Dollar against Pounds Sterling with all other variables held constant, of the Companies' profit before tax (due to foreign exchange translation of monetary assets and liabilities) in the years ended 31 December 2019, 2018 and 2017 based on the financial assets and financial liabilities held at the balance sheet date. The impact of translating the net assets of Pounds Sterling functional companies into US Dollars is excluded from the sensitivity analysis.

	Market movement	*Effect on profit before tax $000*
2019		
US dollar/Sterling	10% strengthening	76,159
US dollar/Sterling	10% weakening	(76.159)
2018		
US dollar/Sterling	10% strengthening	10,527
US dollar/Sterling	10% weakening	(10,527)
2017		
US dollar/Sterling	10% strengthening	7,355
US dollar/Sterling	10% weakening	(7,355)

Financial Risk Factors and Risk Management

d. *Credit Risk*

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to financial loss. The Companies are exposed to credit risk from their operating activities (primarily for trade receivables) and from their financing activities, including deposits with banks.

The Companies only sell hydrocarbons to recognised and creditworthy parties. The credit risk on liquid funds is limited because the counterparties are internationally recognised banking institutions and are considered to represent minimal credit risk.

There are no significant concentrations of credit risk within the Companies and credit losses are expected to be near to zero. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date.

e. *Liquidity Risk*

The Companies finance their operations with a combination of cash and loans to and from other group undertakings.

In the periods under prior ownership by ConocoPhillips, the group's treasury subsidiary managed the liquidity of group cash balances by entering into derivative transactions; mainly in the form of currency swaps.

The Chrysaor Group monitors the amount of borrowings maturing within any specific period and proposes to meet its financing commitments from the operating cash flows of the business and existing committed lines of credit.

The table below summarises the maturity profile of the Companies' financial liabilities at 31 December 2019, 31 December 2018 and 31 December 2017 based on contractual undiscounted payments.

	Within one year $000	*1 to 2 years $000*	*2 to 5 years $000*	*Over 5 years $000*	*Total $000*
Non-derivative Financial Liabilities					
Loans from group undertakings	592,070	—	—	—	592,070
Trade and other payables	252,590	—	—	—	252,590
Lease obligations	27,610	29,205	17,130	6,912	80,557
As at 31 December 2019	872,270	29,205	17,130	6,912	925,217

	Within one year $000	*1 to 2 years $000*	*2 to 5 years $000*	*Over 5 years $000*	*Total $000*
Non-derivative Financial Liabilities					
Bank overdraft	615,315	—	—	—	615,315
Trade and other payables	526,071	—	—	—	526,071
Lease obligations	24,371	26,711	43,997	7,517	102,596
As at 31 December 2018	1,165,757	26,711	43,997	7,517	1,243,982

Financial Risk Factors and Risk Management

	Within one year $000	*1 to 2 years $000*	*2 to 5 years $000*	*Over 5 years $000*	*Total $000*
Non-derivative Financial Liabilities					
Bank overdraft	2,481,123	—	—	—	2,481,123
Trade and other payables	408,085	—	—	—	408,085
Lease obligations	25,778	25,778	73,912	8,829	134,297
As at 31 December 2017	2,914,986	25,778	73,912	8,829	3,023,505

The maturity profile in the above tables reflect only one side of the Companies' liquidity position. Loans and trade and other payables mainly originate from the financing of assets used in the Companies' ongoing operations such as property, plant and equipment and working capital such as inventories. These assets are considered part of the Companies' overall liquidity risk.

26. Notes to the Statement of Cash Flows

Net cash flows from operating activities consist of:

	For the years ended 31 December		
	2017 *$000*	*2018* *$000*	*2019* *$000*
(Loss)/profit before taxation	(89,619)	260,244	325,836
Finance cost, excluding foreign exchange	37,161	43,814	39,194
Finance income, excluding foreign exchange	(2,943)	(5,646)	(3,751)
Depreciation, depletion and amortisation	311,488	323,553	166,337
Impairment of property, plant and equipment	49,264	(4,960)	942
Decommissioning payments	(3,350)	(7,729)	(6,265)
Exploration costs written-off	56	12,820	1,683
Inventory write-off	969	181	—
Release of deferred income	(1,490)	—	—
Income from interest in associate undertaking	(10,700)	(14,312)	(7,526)
Gain on sale of investment in associated undertaking	—	—	(144,075)
Gain on sale of investment in subsidiary undertaking	—	(151,864)	—
Unrealised foreign exchange loss/(gain)	2,373	(1,778)	22,926
Tax paid	(34,599)	(64,469)	(24,744)
Working capital adjustments:			
(Increase)/decrease in inventories	(5,542)	(243)	2,556
(Increase)/decrease in trade and other receivables	(11,817)	(178,164)	215,202
Increase/(decrease) in trade and other payables	26,114	228,699	(363,965)
Net cash inflow from operating activities	267,365	440,146	224,350

27. Related Party Disclosures

The Combined COP Subsidiaries Historical Financial Information includes the financial statements of the Companies and their subsidiary undertakings, as listed in note 15. The investment in an associate undertaking is accounted for using the equity method (note 16). The Combined COP Subsidiaries do not constitute a separate legal group. The Combined COP Subsidiaries Historical Financial Information is a combination of certain legal entities purchased by the Chrysaor Group from ConocoPhillips and has been prepared specifically for the purpose of complying with the Prospectus Rule requirement to present 75 per cent. of the business to be listed throughout the track record period.

Controlling Party

The immediate parent undertaking of each of the Companies is:

Company	*Immediate parent undertaking*
Chrysaor Petroleum Company U.K. Limited	Chrysaor Production Holdings Limited
Chrysaor Resources (Irish Sea) Limited	Chrysaor Resources (U.K.) Holdings Limited
Chrysaor (U.K.) Sigma Limited	Chrysaor Production (U.K.) Limited

At 31 December 2019, the ultimate parent undertaking and controlling party is Harbour Energy Holdings Ltd (Cayman).

Group undertakings not included in the combination

From 1 January 2017 to 30 September 2019, the Companies were under the common control of ConocoPhillips. From 30 September, the Companies have been part of the Chrysaor Group.

Transactions and balances with group undertakings not included in the Combined COP Subsidiaries Historical Financial Information are summarised below:

Amounts owed by/(to) group undertakings at 31 December

	2017 $000			2018 $000			2019 $000		
	Loans Receivable /(Payable)	*Trading Receivable /(Payable)*	*Taxation Receivable /(Payable)*	*Loans Receivable /(Payable)*	*Trading Receivable /(Payable)*	*Taxation Receivable /(Payable)*	*Loans Receivable /(Payable)*	*Trading Receivable /(Payable)*	*Taxation Receivable /(Payable)*
Chrysaor Production (U.K.) Limited and other legal entities acquired by Chrysaor (i)	108.184	37,797 (33,254)	94.148	102,280	92.076 (188,844)	12.954 (1 561)	832.545 (592,070)	48.670 (88,358)	14,800 (1 480)
ConocoPhillips Company (ii)	1.672,338	58 (8,080)		10.023	16 (841)				
ConocoPhillips Skandinavia AS and other ConocoPhillips legal entities not acquired by Chrysaor (iii)	—	(184,128)	—	—	(208.830)	—	—	—	—
Chrysaor Group companies (iv)	—	—		—	—	—	—	143.606	—

(i) All loan receivable and payable balances are with Chrysaor Production (U.K.) Limited (see notes 19 and 22); trading and taxation balances are predominantly with Chrysaor Production (U.K.) Limited
(ii) Short term interest bearing loan receivable balances with ConocoPhillips Company (see note 19)
(iii) Trading balances are predominantly with ConocoPhillips Skandinavia AS and arise from the purchase of Norwegian crude for onward sale
(iv) The Companies have trading balances at 31 December 2019 with Chrysaor E&P Finance Limited, Chrysaor Limited, Chrysaor E&P Limited, Chrysaor E&P Services Limited and Chrysaor North Sea Limited

Transactions during the years ended 31 December

	2017 $000			2018 $000			2019 $000		
	Sales	*Purchases and Recharges*	*Interest income*	*Sales*	*Purchases and Recharges*	*Interest income*	*Sales*	*Purchases and Recharges*	*Interest income/ (expense)*
Chrysaor Production (U.K.) Limited and other legal entities acquired by Chrysaor (i)	324.024	(255,049)	905	450,117	(336.951)	1.136	329,017	(76.027)	1,053
ConocoPhillips Company (ii)	—	—	1.163	—	—	1.759	—	—	—
ConocoPhillips Skandinavia AS and other ConocoPhillips legal entities not acquired by Chrysaor (iii)	562	(1.916.969)	—	551	(2,183.659)	—	68,630	(944.497)	—
Chrysaor Group companies (iv)								30.198	

(i) Transactions are predominantly with Chrysaor Production (U.K.) Limited
(ii) Interest income on short term loan receivable balances with ConocoPhillips Company (see note 19)
(iii) Transactions are predominantly with ConocoPhillips Skandinavia AS for the purchase of Norwegian crude for onward sale
(iv) Transactions with Chrysaor Limited, Chrysaor E&P Services Limited and Chrysaor North Sea Limited

Associate undertaking and entities under common control

In the period under prior ownership by ConocoPhillips, the Company had an interest in an associate undertaking, Norpipe Terminal Holdco Limited, accounted for using the equity method as detailed in Note 16.

Other related parties and their relationship to the Company during the period of prior ownership by ConocoPhillips are as follows:

Company name	Relationship
Norsea Pipeline Limited	Common control
Norpipe Petroleum UK Limited	Common control
Norpipe Oil AS	Common control

	Net Recharges to/(from) related parties			*Amounts owed by/(to) related parties at 31 December*		
	2017 $000	*2018 $000*	*2019 $000*	*2017 $000*	*2018 $000*	*2019 $000*
Norsea Pipeline Limited	97,872	157,399	98,492	279	3,195	—
Norpipe Petroleum UK Limited	43,664	37,993	19,819	2,058	(139)	—
Norpipe Oil AS	2,505	2,286	1,763	439	900	—

28. Post Balance Sheet Events

In response to the COVID-19 outbreak, the Chrysaor Group mobilised its Crisis Management and Business Continuity Teams to monitor Government advice and manage business operations with the top priority being the safety of the workforce. A review of operational activities for the year was carried out and the level of work has been reduced to undertake only what is necessary to keep the workforce safe and to maintain continuing safe operations in all locations for as long as is necessary.

Commodity prices fell significantly in early 2020 with a degree of recovery thereafter. The Company reviewed activities for the year resulting in operating and capital expenditure being significantly reduced reflecting the lower level of activities.

PART VIII – ADDITIONAL INFORMATION

1. Responsibility statements

1.1 Directors of Premier

Premier and the Directors, whose names are set out at the beginning of Part VIII, accept responsibility for the information and expressions of opinion contained in this Circular. To the best of the knowledge and belief of Premier and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.2 The Harbour Responsible Persons

For the purposes of Rule 19.2 of the Takeover Code only, each of the Harbour Responsible Persons whose names appear on page 226 of this document accepts responsibility for the information and expressions of opinion contained in this Circular in relation to each member of the Concert Party. To the best of the knowledge and belief of each of the Harbour Responsible Persons (who have taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Further disclosure regarding the Concert Party

2.1 Definitions

For the purposes of paragraph 2.2 of this Part VIII (*Additional Information*):

(g) "**acting in concert**" with a party means any such person acting or deemed to be acting in concert with that party for the purposes of the Takeover Code and/or the Merger;

(h) an "**arrangement**" includes any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing;

(i) "**connected person**" means in relation to any person a person whose interest in shares is one in which the first mentioned person is also taken to be interested in pursuant to Part 22 of the Companies Act 2006;

(j) "**control**" means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights attributable to the share capital of a company, which are exercisable at a general meeting irrespective of whether such interest or interests give *de facto* control.

(k) "**dealing**" or "**dealt**" includes:

i. acquiring or disposing of relevant securities, the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights allocated to relevant securities or general control of relevant securities;

ii. taking, granting, acquiring, disposing of, entering into, closing out, terminating, exercising (be either party) or varying an option (including a traded option contract) in respect of any relevant securities;

iii. subscribing or agreeing to subscribe for relevant securities (whether in respect of new or existing securities);

iv. exercising or converting any relevant securities carrying conversion or subscription rights;

v. acquiring, disposing of, entering into, closing out, exercising (by either party) of any rights under, or varying of, a derivative referenced directly or indirectly, to relevant securities;

vi. entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities;

vii. the redemption or purchase of, or taking or exercising an option over, any of its own relevant securities by the offeree company or an offeror; and

viii. any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has a short position.

(l) "**derivative**" includes any financial product whose value in whole or in part is determined, directly or indirectly, by reference to the price of an underlying security;

(m) "**disclosure period**" means the period of 12 months ending on the Latest Practicable Date;

(n) being "**interested**" in relevant securities includes where a person (otherwise than through a short position):

i. owns relevant securities;

ii. has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attached to the relevant securities or has general control over them;

iii. by virtue of an agreement to purchase, option or derivative, has the right or option to acquire the relevant securities or call for delivery of them, or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or

iv. is party to any derivative whose value is determined by reference to their price and which results, or may result, in having a long term position in them.

(o) "**relevant securities**" means securities which comprise equity share capital (or derivatives referenced thereto) and securities convertible into rights to subscribe for and options (including traded options) in respect of any such securities; and

(p) "**short position**" means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, arrangement to sell or any delivery obligation or right to require another person to purchase or take delivery.

2.2 Interests of the Concert Party in Premier and additional disclosures required by the Takeover Code

At the close of business on the Latest Practicable Date, save as disclosed in this document:

(a) no member of the Concert Party nor any Harbour North Sea Director (including any members of such Harbour North Sea Directors' respective close relatives, related trusts or connected persons), had an interest in or a right to subscribe for, or had any short position in any relevant securities of Premier, nor had any person dealt in such securities during the disclosure period;

(b) no person acting in concert with the members of the Concert Party, nor any person with whom any member of the Concert Party has an arrangement, had any interest in or a right to subscribe for, or had any short position in relation to, any relevant securities of Premier, nor had any such person dealt in any such securities during the disclosure period;

(c) no member of the Concert Party nor any person acting in concert with them had borrowed or lent any relevant securities of Premier, save for any borrowed shares which have either been on-lend or sold;

(d) none of Premier or the Directors (including any members of such Directors' respective close relatives, related trusts or connected persons) had any interest in or right to subscribe for, or had any short position in relation to, any relevant securities of Harbour North Sea;

(e) no person acting in concert with Premier, nor any person with whom any Premier has an arrangement, had any interest in, or right to subscribe for, or had any short position in relation to any relevant securities of Premier;

(f) other than as set out in paragraph 2 of Part XII (*Directors, Employees and Corporate Governance*) of the Prospectus, neither Premier nor any of the Directors (including any members of such Directors' respective immediate families, related trusts or connected persons) had any interest in or right to subscribe for, or had any short position in relation to any relevant securities of Premier, nor has any such person dealt in any such securities during the disclosure period;

(g) there were no arrangements which existed between Premier or any person acting in concert with Premier or any other person;

(h) neither Premier nor any person acting in concert with Premier had borrowed or lent any relevant securities of Premier, save for any borrowed shares which have either been on-lent or sold;

(i) no member of the Concert Party nor any person acting in concert with them has entered into an agreement, arrangement or understanding (including any compensation arrangement) with any of the Directors, recent directors, Shareholders, recent Shareholders or any other person interested or recently interested in Ordinary Shares which are connected with or dependent upon the outcome of the Merger or the Waiver Proposal; and

(j) no member of the Concert Party has entered into agreement, arrangement or understanding to transfer any interest acquired in Premier, pursuant to the Merger and the Waiver Proposal (save that Harbour North Sea may consider an intra-group re-organisation of its Ordinary Shares subject to the terms of the Lock-Up Deed).

3. Information incorporated by reference

Any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained herein (or in a later document which is incorporated by reference herein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Circular.

To the extent that any document or information is incorporated by reference or attached to this Circular itself incorporates any information by reference, such information will not form part of this Circular unless otherwise explicitly stated to be incorporated herein.

The Prospectus, which has been published by Premier and filed with the FCA on 16 December 2020 (being the same say as this Circular is published), is available for inspection in accordance with paragraph 8 of this Part VIII and is incorporated by reference into this Circular in its entirety, contains information about the Premier Group and Chrysaor which is relevant to this Circular. The table below is intended to enable Shareholders to identify easily the location of specific items of information in the Prospectus. This Circular and all documents incorporated into it by reference (including the Prospectus) should be read as a whole.

Shareholders, persons with information rights and any other person who have received a copy of this Circular will not be sent automatically a copy of any document (or any part of a document) incorporated into this document by reference. The Company will, however, upon the written request of any such person, procure or provide without charge a copy of any documents incorporated by reference into this document.

Requests for copies of any such documents should be made in writing to the company secretary. If such a request is made, a copy of the requested information shall be sent to the relevant person in hard copy form as soon as possible.

Section of the Prospectus	Information incorporated by reference	Page number(s)
Part II (*Details of the Debt Restructuring*)	Terms of the Restructuring	86 to 88
Part II (*Details of the Debt Restructuring*)	Terms of the Top-Up Election	88 to 89
Part III (*Information on the Premier Group*)	Information on the Premier Group	97 to 122
Part IV (*Information on the Chrysaor Group*)	Information on the Chrysaor Group	123 to 146
Part X (*Competent person's report on the Chrysaor Group*)	Chrysaor CPR	319 to 544
Paragraph 1 of Part XII (*Directors, Employees and Corporate Governance*)	Directors	550 to 559
Paragraph 2 of Part XII (*Directors, Employees and Corporate Governance*)	Interests of the Directors and the Proposed Directors	560 to 561
Paragraph 3 of Part XII (*Directors, Employees and Corporate Governance*)	Directors' service contracts and letters of appointment	562
Paragraph 3 of Part XIII (*Additional information*)	Share capital of the Company	572 to 573
Paragraph 4 of Part XIII (*Additional information*)	Information about the New Ordinary Shares	573 to 576
Paragraph 7.2 of Part XIII (*Additional information*)	Major shareholders	584
Paragraph 9 of Part XIII (*Additional information*)	Related party transactions	595
Paragraph 13 of Part XIII (*Additional information*)	Third party information	601 to 602
Definitions	Glossary of technical terms	616 to 622

4. Litigation

4.1 Premier Group

Other than as set out below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Premier is aware) during the 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on the financial position or profitability of the Premier Group.

Settlement with ARCM

In order to obtain consent to enter into the acquisitions of the Andrew and Shearwater assets, as previously announced by the Company, and the related fund raising, during Q4 2019, the Company sought the approval of its lenders through a creditor consent process conducted in accordance with the terms of its existing finance documents. As part of this process, Premier's largest lender by value, ARCM, voted against providing its approval with the effect that the Company was unable to obtain the required consent from its lender group to proceed with the acquisitions and the related fund raising.

Accordingly, in January 2020, the Company and POUK launched the 2020 Schemes in order to obtain the consent of lenders to the amendment and extension of the Premier Group's existing debt facilities and to the acquisitions and related funding arrangements. Provided that a sufficient number of the Premier Group's other creditors voted in favour of the 2020 Schemes, and the Court of Session sanctioned the 2020 Schemes, ARCM's approval would not be required. As part of this process, the required creditor meetings were held on 12 February 2020, at which 86.81 per cent. of the super senior secured commitments in value of those voting and 83.86 per cent. of the senior commitments in value of those voting, voted in favour of the 2020 Schemes. While ARCM opposed the 2020 Schemes at the creditor meeting, a sufficient number of lenders, by both number and value, had voted in favour. The Court hearing to sanction the 2020 Schemes was held in March 2020. The Court's judgment, which was published on 29 April 2020, found in favour of the Company, but provided ARCM with leave to appeal the judgement. ARCM subsequently appealed on 6 May 2020.

As further detailed in section 5.1 of this Part VIII (*Additional Information*) of this document, on 5 June 2020, the Company and ARCM subsequently entered into the Settlement Agreement and the related subscription agreement. These agreements provided for a comprehensive settlement of all claims relating to the 2020 Schemes and related matters (including costs), as well as an issuance of 82,164,064 Ordinary Shares to funds owned and/or managed by ARCM at a price of 26.69 pence per share. As agreed in the settlement, the Company did not proceed with the registration of the 2020 Schemes.

Indonesian branch profits tax repayment claim

With effect from 2011, the Indonesian Tax Authority imposed a 20 per cent. branch profit tax rate to the Premier Group's operations in Indonesia for each financial year from 2003 onwards. The Premier Group is contesting this imposition on the grounds that, under the Netherlands-Indonesia Tax Treaty, the Premier Group is entitled to a 10 per cent. branch profit tax rate. In accordance with due process in Indonesia, Premier paid the disputed amount, which totalled US$155 million up to the end of 2019. Premier has submitted objection letters, appeals, Mutual Agreement Procedures and Judicial Reviews where applicable for all affected years. In 2018 and 2019 the Premier Group received five rulings in its favour from the Supreme Court of Indonesia totalling US$21 million, US$16 million (in respect of Natuna financial years 2004 and 2013), and US$5 million (in respect of Kakap financial years 2003,2007 and 2012). The Premier Group has received all of the US$21 million of these repayments from the Indonesian Tax Authority. In 2020 so far, the Premier Group received 4 rulings in its favour from the Tax Courts in Indonesia totalling US$17 million, US$12 million (in respect of Natuna financial year 2010) and US$5 million (in respect of Kakap financial years 2009, 2010 and 2013). The Premier Group has received all of the US$17 million repayments in full. It is unclear when the Premier Group will be successful in recovering the total additional payment of US$114 million. The Supreme Court of Indonesia has announced that it has granted an appeal by the Indonesian Tax Authority in respect of the Tax Court's award for Natuna financial year 2010.

Huntington daily base hire dispute

The dispute concerned the original E.ON / Sevan (now Premier / Altera) bareboat charter and associated over-arching agreement for the lease and operation of the Voyageur Spirit FPSO for the exploitation of the Huntington field. Altera's invoiced daily base hire ("**DBH**") rate under these agreements for 2014 to 2018 was disputed by Premier on the basis that Altera had incorrectly calculated the bonus / malus which was to apply to the DBH rate. Altera raised formal proceedings in April 2020 and a trial date was set for October 2019. Altera claimed US$12,108,072.50 and Premier counter-claimed US$3,837,580.91, with each also claiming interest and costs. A one day hearing took place remotely on 8 July 2020 and the judges' decision was handed down on 17 July 2020. The judge found in favour of Altera and Premier paid the awarded amount. Premier is considering the merits for appealing the judge's decision.

Huntington Line Flushing

On 28 March 2018, Premier Oil E&P UK Limited and Altera Voyageur Production Limited ("**Altera**") entered into an operating services agreement in connection with the Huntington FPSO (the "**Agreement**"). Premier has disputed and withheld payment of four invoices (the "**Disputed Invoices**") received from Altera for services provided with respect to the Huntington FPSO under the Agreement between 24 April 2020 and 28 June 2020. During this period, the Huntington FPSO was being prepared for demobilisation from Huntington at the end of the field's life. Premier is disputing the Disputed Invoices on the basis that the demobilisation of the Huntington FPSO was delayed as a result of failures by Altera to perform its obligations under the Agreement and as such the Huntington FPSO remained on station for longer than planned. Premier is therefore claiming that no fees are payable pursuant to the Disputed Invoices. The aggregate value of the Disputed Invoices is $7,745,000 (excluding VAT and statutory interest). Under the terms of the Agreement, interest on the Disputed Invoices accrues from the due date for payment at a rate which is undefined. Altera has issued Premier with a Notice of Dispute under the Agreement with respect to the Disputed Invoices but no formal court proceedings have been commenced.

4.2 Chrysaor Group

Other than as set out below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Premier is aware) during the

12 months preceding the date of this document which may have, or have had in the recent past, significant effects on the financial position or profitability of the Chrysaor Group.

Chrysaor completed the purchase of ConocoPhillips' UK oil and gas business on 30 September 2019. Under the relevant transaction document, Chrysaor agreed to pay the specified consideration of USD2.675 billion, subject to certain adjustments. In the context of discussions concerning the amount to be paid on completion, a dispute arose between Chrysaor and ConocoPhillips as to the exchange rate to be applied in respect of certain dividend and related payments (the "**Relevant Payments**"). The Relevant Payments were to be made in GBP, but accounted for as adjustments under the transaction document in USD. Without prejudice to that dispute, the transaction completed. ConocoPhillips commenced proceedings on 5 December 2019 in the High Court of England and Wales, seeking declarations in relation to the GBP:USD FX rate that applies in respect of the Relevant Payments. If ConocoPhillips succeeds in the case, there will be no further payment to ConocoPhillips under the post completion adjustments. If Chrysaor succeeds in the case, it will be entitled to a refund in respect of overpaid consideration of approximately USD120 million. A four day trial is scheduled for May 2021.

5. Material Contracts

5.1 Premier Group

In addition to the Merger Agreement and the Management Warranty Deed, which have been summarised in Part III (*Terms and Conditions of the Merger*) of this document, a summary of all other contracts (not being contracts entered into in the ordinary course of business) that have been entered into by any member of the Premier Group either: (i) within the two years immediately preceding the date of this document which are, or may be, material; or (ii) which have been entered into by any member of the Premier Group and which contain provisions under which any member of the Premier Group has an obligation or entitlement that is material as at the date of this document, is set out below.

(A) Relationship Agreement

The Relationship Agreement to be entered into between Premier and Harbour North Sea, will take effect on Admission and will continue in force unless and until Harbour North Sea and its affiliates cease to own at least ten per cent. or more of the Ordinary Shares or the voting rights attaching to the Ordinary Shares. Harbour North Sea may terminate the Relationship Agreement in certain circumstances, including where the Ordinary Shares cease to be admitted to the premium segment of the Official List and cease to be admitted to trading to the London Stock Exchange's main market for listed securities.

Under the Relationship Agreement, Harbour North Sea undertakes that it shall not (and shall procure that its associates will not):

(A) take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules;

(B) propose or procure the proposal of a shareholder resolution of the Company which is intended or appears to be intended to circumvent the proper application of the Listing Rules;

(C) exercise any of its voting rights in the Company in a way that would be inconsistent with, or breach any of the provisions of, the Relationship Agreement;

(D) influence the day-to-day running of the Company at an operational level and shall allow the Company to operate on an independent basis;

(E) vote its Ordinary Shares and shall use its reasonable endeavors to procure that any director appointed by it does not vote his or her shares in a manner that would prevent the Company from operating and making decisions for the benefit of shareholders of the Company as a whole; and

act in a manner which would be inconsistent with the independence of the Board being maintained in accordance with the rules of the London Stock Exchange or the FCA applicable to the Company, including the Listing Rules and the Corporate Governance Code.

(B) ARCM Settlement Agreement and Subscription Agreement

On 5 June 2020, the Company entered into a settlement agreement with ARCM under which ARCM agreed to withdraw its appeal of the Court of Session's judgment approving the 2020 Schemes with effect from 1 July 2020 and support the Company's entry into the Stable Platform Agreement and proposal in relation to the acquisitions of interests in the Andrew Area and the Shearwater Field and related funding arrangements. The settlement agreement with ARCM also provided for a comprehensive settlement of all claims relating to the 2020 Schemes and related matters (including costs).

In connection with the settlement agreement, the Company and ARCM also entered into a subscription agreement under which the Company agreed to issue 82,164,064 Ordinary Shares, representing 8.91 per cent. of the Company's enlarged share capital (as at 5 June 2020), to several funds owned and/or managed by ARCM at a price of 26.69 pence per share. The issue raised approximately US$27.5 million for the Company. ARCM undertook to use the Ordinary Shares issued to it in order to reduce its short position (being approximately 16.69 per cent as at 5 June 2020).

(C) Support Letter

On 6 October 2020, the Company agreed a term sheet with Chrysaor and a sub-set of the Premier Group's creditors in respect of the Debt Restructuring and, the wider group of Private Creditors and XCCY Hedge Counterparties were invited to approve the term sheet by entering into the Support Letter.

Under the terms of the Support Letter, Participating Creditors have given certain undertakings to Premier and Chrysaor, and Premier and Chrysaor have given certain undertakings to the Participating Creditors, including:

(i) to support the Debt Restructuring, including (in the case of the Participating Creditors) by voting in favour of the Restructuring Plans;

(ii) not to take any action which would be inconsistent with the Merger or the Debt Restructuring in any material respect;

(iii) to instruct their legal advisers to negotiate the documentation required to implement the Debt Restructuring on the terms of the agreed term sheets in good faith; and

(iv) (in the case of the Participating Creditors) not to transfer their rights under the existing finance documents, unless the proposed transferee of such rights accedes to the Support Letter (subject to limited carve-outs).

In addition to the undertakings described above, the Participating Creditors have agreed to waive any default, event of default or breach of representation arising as a result of the Merger and the Debt Restructuring or any steps taken by any member of the Premier Group to implement the Merger and the Debt Restructuring.

The lock-up binds the parties to the Support Letter for the duration of the Support Letter's effectiveness, subject to certain limited termination rights.

The Support Letter also allows any Private Creditor or XCCY Hedge Counterparty to accede to the Support Letter and requires any Participating Creditor that wishes to transfer its debt, to ensure that any such transferee accedes to the Support Letter.

The Support Letter is subject to termination rights, including the ability of the Majority Creditors to terminate upon the occurrence of certain events of default under the Existing Debt Facilities, the material breach by Chrysaor or Premier of certain undertakings given in the Support Letter or following a decision by the Board to withdraw its recommendation of the Merger. In addition, the Support Letter will automatically terminate on the earliest to occur of the following: (i) where the Merger Agreement is terminated in accordance with its terms, the Interim Maturity Extension becomes effective; (ii) an insolvency event occurs in relation to certain Premier Group companies; (iii) the Long-Stop Date (see below); and (iv) the Debt Restructuring becomes effective.

In particular, the Support Letter may be terminated at the election of the Majority Creditors if the events or circumstances set out below occur:

- the Merger, Whitewash and Debt Restructuring Resolutions are not approved by Shareholders at the General Meeting and an alternative plan for implementation of the Merger and the Debt Restructuring has not been agreed between Premier, Chrysaor and the Participating Creditors within 20 business days of the General Meeting;
- an event of default arises under the Existing Debt Facilities or the XCCY Swaps (other than an event of default which has been remedied or waived or has arisen, or deemed to have arisen, directly as a result of the implementation of the Merger or the Debt Restructuring);
- relevant members of the Premier Group breach the terms of the Support Letter in any material respect or any representation or warranty by the relevant members of the Premier Group under the Support Letter is materially incorrect or misleading;
- either Chrysaor or Premier breach certain undertakings given by them under the Support Letter in any material respect. These undertakings include, among other things: (i) to support the Debt Restructuring; (ii) not to take any action which would be inconsistent with the Merger or the Debt Restructuring in any material respect; and (iii) to instruct their legal advisers to negotiate the documentation required to implement the Debt Restructuring on the terms of the agreed term sheets in good faith;
- the Board decides to withdraw, suspend, qualify or adversely modify or amend, the recommendation of the Merger set out in the Circular in circumstances where Chrysaor has not elected to terminate the Merger Agreement and an alternative plan for implementation of the Merger and the Debt Restructuring has not been agreed between Premier, Chrysaor and the Participating Creditors;
- at any Restructuring Plan Creditor Meeting the requisite majorities by value of creditors entitled to vote on such Restructuring Plan have not voted for such Restructuring Plan such that any of the Restructuring Plans are not approved;
- certain milestones are not completed (including the posting of the explanatory statement relating to the Restructuring Plans to the Restructuring Plan Creditors by 28 February 2021 and the Merger, Whitewash and Debt Restructuring Resolutions being approved by Shareholders by 30 April 2021) within the relevant timeframe (as may be extended) other than where Premier has provided evidence that this is as a result of a breach by Chrysaor of its obligation under the Support Letter to provide reasonable assistance to enable Premier meet those milestones;
- either the English Court or the Scottish Court issues a judgment refusing to sanction all or any of the Restructuring Plans which is either (a) not appealed by any party within the period of time in which to bring such an appeal under Scottish or English law (as applicable), or (b) appealed within such period of time and such appeal is unsuccessful;
- either the English Court or the Scottish Court issues an order preventing the Company, POUK or POHL from implementing the Debt Restructuring or Restructuring Plans which is either (a) not appealed by any party, or (b) appealed and such appeal is unsuccessful; or
- where Chrysaor has notified the Company that the Company has breached the Merger Agreement in a manner which provides any of the Harbour/Chrysaor Parties the right to terminate the Merger Agreement and none of the Harbour/Chrysaor Parties exercises its termination right, or the Merger, Whitewash and Debt Restructuring Resolutions are not approved by shareholders at the General Meeting, an alternative plan for implementation of the Merger and the Debt Restructuring has not been agreed between Premier, Chrysaor and the Participating Creditors within 20 business days of such notification.

The Long Stop Date for completion of the Merger and the Debt Restructuring, as set out in the Support Letter, is 30 September 2021 or such later date as Premier, Chrysaor and the Majority Creditors agree provided such date is not later than 1 December 2021. If any of the conditions to the Debt Restructuring becoming effective summarised above does not take place by the Long Stop Date (as amended or extended), then the Debt Restructuring will not proceed.

Should the Support Letter terminate, the parties to it would not be obliged to support the Debt Restructuring, including by voting in favour of the Restructuring Plans.

(D) Sponsor Agreement

On or around the date of this document, Premier and RBC entered into a sponsor's agreement pursuant to which RBC has agreed, subject to certain conditions, to act as Premier's sponsor in relation to the Merger and Admission (the "**Sponsor Agreement**"). Premier is providing RBC with: (i) certain undertakings which will require it to consult with RBC before taking certain actions; and (ii) certain warranties in relation to Premier and Chrysaor. In addition, Premier is providing RBC with certain indemnities which are customary for an agreement of this nature. Pursuant to the terms of the Sponsor Agreement, RBC may terminate the Sponsor Agreement on the occurrence of certain customary events including a material breach of the Sponsor Agreement or a material misstatement in or omission from this document.

Premier has agreed to bear all of RBC's fees, costs, charges and expenses of, or which are incidental to, the Merger and Admission, including the fees and expenses of its professional advisers, the costs of preparation, printing and distribution of this document and all other documents in connection with the Merger, any CREST charges and the fees of the FCA and London Stock Exchange.

(E) Non-XCCY Hedging Support Letter

As the Restructuring Plans will not affect the rights of (nor bind) the Non-XCCY Hedge Counterparties, in order to implement the Merger and Debt Restructuring, the Company is required to seek certain consents from the Non-XCCY Hedge Counterparties, including consent from each of the Non-XCCY Hedge Counterparties to resign from relevant documents forming part of the Existing Debt Facilities from completion of the Interim Maturity Extension (if applicable).

As such, consents from the Non-XCCY Hedge Counterparties has been sought and received from each the Non-XCCY Hedge Counterparty on an individual and consensual basis under the terms of individual Non-XCCY Hedging Support Letters (each of which is substantively identical).

The consents provided by the Non-XCCY Hedge Counterparties pursuant to the Non-XCCY Hedging Support Letters may only be terminated by the Non-XCCY Hedge Counterparties if the Support Letter is terminated.

None of the Non-XCCY Hedge Counterparties has been paid a consent fee or other incentives to sign a Non-XCCY Hedging Support Letter. The Company has given an equivalent undertaking as under the Support Letter to pay the costs and expenses of each Non-XCCY Hedge Counterparty (including certain fees and taxes) reasonably incurred by that Non-XCCY Hedge Counterparty in connection with entering into their Non-XCCY Hedging Support Letter.

(F) Creditor Lock-Up Agreement

In accordance with the Debt Restructuring, any Restructuring Plan Creditor whose individual holding (not measured on an aggregate basis across groups or funds under common control) exceeds more than 2.7 per cent. of the enlarged share capital of the Company on Admission will enter into a lock-up agreement which will be conditional on Admission and Readmission. Under the terms of the Creditor Lock-Up Agreement, the relevant creditors shall undertake not to, during the Creditor Lock-Up Period: (i) directly or indirectly dispose of their Creditor Shares (which shall include the New Equity Warrants and the New Warrant Shares but shall exclude any Creditor Shares issued pursuant to the Top-Up Election); or (ii) take or increase any net short position (or other derivative arrangement having a similar effect) in the Ordinary Shares. However, such restrictions shall not apply in certain circumstances, including in connection with: rights issues, takeovers or disposals to affiliates who enter into a pro-forma deed of adherence.

The Creditor Lock-Up Agreement will terminate on the earliest of:

- 12 months following the end of the Creditor Lock-Up Period;
- if the relevant creditor who is party to the Creditor Lock-Up Agreement no longer holds, directly or indirectly, any Creditor Shares;
- the Company enters into winding up, administration or any creditor protection procedures;
- on a direct or indirect change of control in the Company; or

- if the Ordinary Shares cease to be listed on the premium listing segment of the FCA's Official List and traded on the London Stock Exchange's main market.

(G) Override Agreement

The Override Agreement was entered into on 20 July 2017 in connection with Premier's 2017 Refinancing. The purpose of the Override Agreement is to provide common provisions which are explicitly incorporated into Premier's other finance documents relating to representations, warranties, mandatory prepayment, covenants and events of default. Certain of these key provisions are summarised below.

Mandatory prepayment

The Override Agreement contains certain mandatory prepayment events requiring the outstanding loans and letters of credit under the Senior Secured Debt Facilities and the Super Senior Secured RCF/LC Facilities, the USPP Notes and the Retail Bonds to be immediately repaid in full. These events include the occurrence of a change of control of the Company. The Override Agreement also contains additional mandatory prepayment requirements in respect of the proceeds of disposals, insurance claims and any Premier Group cash being held by the Premier Group in excess of the prescribed headroom.

Representations

The Override Agreement contains customary representations and warranties for each obligor and the Company, including that all material assets of the Premier Group are secured in favour of the creditors and the secured hedge counterparties.

Financial covenants and cash management

The Override Agreement contains financial covenants including specified leverage and interest cover ratios and minimum liquidity requirements. If there is a projected breach of the leverage ratio, POUK will be restricted from making further utilisations.

Guarantees

Each guarantor jointly and severally guarantees the performance of the Premier Group's obligations under the finance documents. Guarantees are required from members of the Premier Group contributing at least 95 per cent. of consolidated operating profit, proved plus probable reserves, intangible exploration and evaluation assets, property, plant and equipment total assets, net assets, and EBITDA of the Premier Group in aggregate.

General covenants

The Override Agreement contains a number of customary covenants for the obligors including a negative pledge, a disposals covenant, restrictions on members of the Premier Group from being a creditor or providing certain guarantees. The financial indebtedness covenant restricts members of the Premier Group from incurring or allowing to remain outstanding certain financial indebtedness.

Events of default

The Override Agreement includes customary events of default which will entitle the financiers to terminate the relevant finance documents and demand immediate repayment in accordance with the Intercreditor Agreement, including non-compliance with financial covenants and covenants relating to acquisitions, disposals, security and financial indebtedness and any financial indebtedness of any member of the Premier Group not being paid when due or becoming prematurely due and payable.

(H) Senior RCF/LC Facility Agreement

Pursuant to the amendment and restatement of the original RCF facility agreement on 28 July 2017 in connection with Premier's 2017 Refinancing, an amount equal to the drawings under the original RCF facility agreement (which comprised US$1,550 million drawn by way of cash loans and approximately US$231 million drawn by way of letters of credit) formed the Senior RCF Facilities.

The Senior Secured Cash Loan Facility may only be used for general corporate purposes. The Senior Secured LC Sub-Facilities may only be used for: (i) the issuance of letters of credit to a beneficiary approved by the Senior Secured LC Sub-Facility lenders; and (ii) the funding of cash collateral where a Senior Secured LC Sub-Facility lender no longer meets the criteria of an "approved lender".

POUK must repay each loan and LC on the earlier of its maturity date and 31 May 2021. Cash loans bear interest at the aggregate of a margin of 5.00 per cent. per annum plus LIBOR or, in relation to any loan in Euro, EURIBOR (subject to a LIBOR/EURIBOR zero floor). A letter of credit fee is payable at the rate of 5.00 per cent. per annum in respect of the outstanding amount of each LC for the period from the effective date of that LC until its maturity date.

POUK must pay commitment fees at the rate of 35 per cent. per annum of the applicable margin on the daily undrawn, uncancelled amount made available under the Senior RCF Facilities. Utilisation fees are payable at the rate of 0.40 per cent. per annum on outstanding loans under the Senior Secured Cash Loan Facility.

Provisions of the Senior RCF/LC Facility Agreement relating to representations, warranties, mandatory prepayment, covenants and events of default are incorporated from, and are consistent with, those set out in the Override Agreement.

(I) Super Senior Secured RCF/LC Facility Agreement

Pursuant to the amendment and restatement of the original RCF facility agreement on 28 July 2017 in connection with Premier's 2017 Refinancing, an amount equal to the undrawn facilities under the original RCF facility agreement of US$500 million in respect of cash loans and approximately US$219 million in respect of letters of credit formed the Super Senior Secured RCF/LC Facilities.

Under the Super Senior Secured RCF/LC Facility Agreement, the Super Senior Creditors have made available the Super Senior Secured RCF/LC Facilities.

The Super Senior Secured Revolving Credit Facility may only be used for general corporate purposes. The Super Senior Secured LC Sub-Facilities may only be used for: (i) the issuance of letters of credit to a beneficiary approved by the Super Senior Secured LC Sub-Facility lenders; and (ii) the funding of cash collateral where a Super Senior Secured LC Sub-Facility lender no longer meets the criteria of an "approved lender".

POUK must repay each loan and letter of credit on the earlier of its maturity date or 31 May 2021. Cash loans bear interest at the aggregate of a margin of 5.00 per cent. per annum plus LIBOR or, in relation to any loan in Euro, EURIBOR (subject to a LIBOR/EURIBOR zero floor). A letter of credit fee is payable at the rate of 5.00 per cent. per annum in respect of the outstanding amount of each letter of credit (after deducting the amount of any cash collateral provided in respect of any such letter of credit) for the period from the effective date of that letter of credit until its maturity date.

POUK must pay commitment fees equal to 35 per cent. per annum of the applicable margin on the daily undrawn, uncancelled amount made available under the Super Senior Secured RCF/LC Facilities. Utilisation fees are payable at the rate of 0.40 per cent. per annum on outstanding loans under the Super Senior Secured Revolving Credit Facility.

Provisions of the Super Senior Secured RCF/LC Facility Agreement relating to representations, warranties, mandatory prepayment, covenants and events of default are incorporated from, and are consistent with, those set out in the Override Agreement.

(J) Nelson Bilateral LC Facility Agreement

The terms of the Nelson Bilateral LC Facility Agreement were amended and restated on 20 July 2017 in connection with Premier's 2017 Refinancing. A revolving credit facility in an aggregate amount of £4,380,000 is made available to POUK under the facility.

The Nelson Bilateral LC Facility Agreement may only be used for the issuance of letters of credit to a beneficiary in relation to Nelson or save that if the lender from time to time under the facilities ceases to meet the applicable ratings criteria, the commitments can be used to cash collateralise the obligations of another financial institution who provides a replacement letter of credit to the Nelson beneficiary or a loan for general corporate purposes.

POUK must repay each LC on or before 31 May 2021. The rate of interest is the aggregate of a margin of 5.00 per cent. per annum plus LIBOR. A letter of credit fee is payable at the rate of 5.00 per cent. per annum in respect of the outstanding amount of each letter of credit (after deducting the amount of any cash collateral provided in respect of any such letter of credit) for the period from the effective date of that letter of credit until its maturity date.

POUK must pay commitment fees equal to 35 per cent. per annum of the applicable margin on the daily undrawn, uncancelled amount made available under the Senior RCF Facilities.

Provisions of the Nelson Bilateral LC Facility Agreement relating to representations, warranties, mandatory prepayment, covenants and events of default are incorporated from, and are consistent with, those set out in the Override Agreement.

(K) Term Loan Facility Agreement

The terms of the Term Loan Facility Agreement were amended and restated on 20 July 2017 in connection with Premier's 2017 Refinancing.

The creditors under the Term Loan Facility Agreement have made available the following amounts: (i) a term loan facility of £100,000,000 ("**Term Loan Facility A**"); and (ii) a term loan facility of US$150,000,000 ("**Term Loan Facility B**").

The facilities may only be used for general corporate purposes. POUK may not voluntarily prepay the loans advanced under the Term Loan Facility Agreement in whole or in part at any time whilst the Super Senior Secured RCF/LC Facilities are outstanding.

POUK must repay each loan in full on or before 31 May 2021. The rate of interest is the aggregate of a margin of (i) 4.60 per cent. per annum in respect of the Term Loan Facility A; and (ii) 4.75 per cent. per annum in respect of the Term Loan Facility B, plus LIBOR (subject to a LIBOR zero floor).

Provisions of the Term Loan Facility Agreement relating to representations, warranties, mandatory prepayment, covenants and events of default are incorporated from, and are consistent with, those set out in the Override Agreement.

(L) USPP Note agreements and the USPP Notes

POUK has issued the following USPP Notes under the 2011 USPP Note Agreement.

(i) the €75,000,000, series A senior notes (of which €35,000,000 in principal amount is outstanding);

(ii) the US$70,000,000, series B senior notes (of which USS13,000,000 in principal amount is outstanding);

(iii) the US$174,000,000, series C senior notes (of which US$128,000,000 in principal amount is outstanding);

(iv) the €1,689,561.33 series A make-whole notes;

(v) the US$383,663.83 series B make-whole notes; and

(vi) the US$17,170,086.89 series C make-whole notes.

POUK has issued the following USPP Notes under the 2012 USPP Note Agreement:

(i) the €25,000,000, series A senior notes (of which €25,000,000 in principal amount is outstanding);

(ii) the US$70,000,000, series B senior notes (of which USS35,000,000 in principal amount is outstanding);

(iii) the USS94,000,000, series C senior notes (of which US$84,000,000 in principal amount is outstanding);

(iv) the USS38,000,000, series D senior notes (of which US$38,000,000 in principal amount is outstanding);

(v) the €1,953,108.90 series A make-whole notes;

(vi) the US$1,610,833.55 series B make-whole notes;

(vii) the US$11,107,772.44 series C make-whole notes; and

(viii) the US$6,727,353.96 series D make-whole notes.

The make-whole notes were issued by POUK as part of Premier's 2017 Refinancing. The principal amount of each make-whole note represents an amount equal to the aggregate make-whole amount which would have been payable in respect of the relevant series of USPP Notes if such USPP Notes had been accelerated on the effective date of Premier's 2017 Refinancing in accordance with the relevant USPP Note Agreement.

The entire unpaid principal balance of each series of USPP Notes is due and payable on 31 May 2021. Each USPP Note bears interest on its outstanding principal amount. The rate of interest for USPP Notes issued under the 2011 USPP Note Agreement is (i) 9.17 per cent. in respect of the series A notes; (ii) 8.96 per cent. in respect of the series B notes; and (iii) 9.63 per cent. in respect of the series C notes. The rate of interest for USPP Notes issued under the 2012 USPP Note Agreement is (i) 8.43 per cent. in respect of the series A notes; (ii) 8.52 per cent. in respect of the series B notes; (iii) 9.14 per cent. in respect of the series C notes; and (iv) 9.29 per cent. in respect of the series D notes.

Provisions of the USPP Note agreements relating to representations, warranties, mandatory prepayment, covenants and events of default are incorporated from, and are consistent with, those set out in the Override Agreement.

(M) Converted Facility Agreement

The terms of the Converted Facility Agreement were amended and restated on 20 July 2017 in connection with Premier's 2017 Refinancing.

The lenders under the Converted Facility Agreement have made available to POUK: (i) a term loan facility of US$60,000,000 ("**Converted Facility A**"); (ii) a term loan facility of US$50,000,000 ("**Converted Facility B**"); and (iii) a term loan facility of US$20,000,000 ("**Converted Facility C**").

POUK must repay each loan in full on 31 May 2021. The rate of interest is the aggregate of a margin of (i) 6.65 per cent. per annum in respect of Converted Facility A; (ii) 6.65 per cent. per annum in respect of Converted Facility B; and (iii) 6.85 per cent. per annum in respect of Converted Facility C, plus LIBOR (subject to a LIBOR zero floor).

Provisions of the Converted Facility Agreement relating to representations, warranties, mandatory prepayment, covenants and events of default are incorporated from, and are consistent with, those set out in the Override Agreement.

(N) Retail Bonds

On 11 December 2013, the Company issued £150,000,000 notes due 11 December 2020 (being the "**Retail Bonds**") pursuant to the Euro medium term note programme. The terms and conditions of the Retail Bonds are set out in the Retail Bond Terms and Conditions and the Retail Bond Final Terms, which were amended and restated pursuant to an amendment and restatement agreement dated 20 July 2017 in connection with Premier's 2017 Refinancing. The maturity date of the Retail Bonds is 31 May 2021.

The Retail Bonds bear interest at a fixed rate of 6.50 per cent. on its outstanding nominal amount. Premier shall pay default interest of 1.00 per cent. per annum over the applicable interest rate in respect of the Retail Bonds in the event of a payment default. The Retail Bonds do not have the benefit of any financial covenant undertakings contained in the Override Agreement.

(O) Equity warrant and convertible equity warrant instruments

As part of Premier's 2017 Refinancing, the Company issued 71,012,952 registered equity warrants to the Super Senior Creditors and the Senior Creditors pursuant to an equity warrant instrument dated 20 July 2017 (the "**Existing Equity Warrants**") to allow the Senior Creditors and the Super Senior Creditors to participate in any increase in the equity value of the Premier Group following Premier's 2017 Refinancing. Each Existing Equity Warrant confers the right to subscribe in cash for one Ordinary Share. Warrant holders may elect at their sole discretion to: (i) pay a cash price on exercise of the warrant; or (ii) opt for cashless exercise of the warrant whereby the number of shares they receive on exercise will be reduced accordingly. Given the current strike price of the Existing Equity Warrants, being £0.4081 as at the Latest Practicable Date, if the maximum number of outstanding warrants were issued and exercised for a cash price, Premier would receive approximately £11,173,525 in cash proceeds. The Existing Equity Warrants benefit from customary anti-dilution protections and as such the exercise price shall be adjusted to take account of certain dilutive events. The Merger and the Debt Restructuring will likely constitute a dilutive event under the outstanding Existing Equity Warrants. Accordingly, in accordance with the terms of the Existing Equity Warrants, Premier has instructed an independent expert to determine the required adjustment to the exercise price to be paid or to the number of Ordinary Shares to be issued upon exercise of an Existing Equity Warrant. The independent expert will consider the economic effect of the dilutive event on the outstanding Existing Equity Warrants when determining a suitable adjustment. No adjustment will be made to the extent it would result in the exercise price falling below the nominal value of one Ordinary Share. In this instance, any further adjustment required will instead be effected by increasing the number of Ordinary Shares issuable upon exercise of an Existing Equity Warrant.

The Existing Equity Warrants will expire on 31 May 2022. As at the Latest Practicable Date, the Company has allotted 31,523,320 Ordinary Shares as a result of the exercise of Existing Equity Warrants and 27,379,381 Existing Equity Warrants remain outstanding. As part of Premier's 2017 Refinancing, the Company also issued 18,097,019 registered convertible equity warrants to convertible bondholders pursuant to a convertible equity warrant instrument dated 26 July 2017 (the "**Convertible Equity Warrants**") to allow convertible bondholders to participate in any increase in the equity value of the Premier Group following Premier's 2017 Refinancing. Each Convertible Equity Warrant confers the right to subscribe in cash for one Ordinary Share. The key terms of the Convertible Equity Warrants (including the price payable upon exercise of a Convertible Equity Warrant) are substantially the same as those which apply to the Existing Equity Warrants.

Given the current strike price of the Convertible Equity Warrants, being £0.4081 as at the Latest Practicable Date, if the maximum number of warrants were issued and exercised for a cash price, Premier would receive approximately £2,700,547 in cash proceeds. As at the Latest Practicable Date, the Company has allotted 11,430,484 Ordinary Shares as a result of the exercise of Convertible Equity Warrants and 6,617,367 Convertible Equity Warrants remain outstanding. As previously announced by the Company on 5 September 2018, the Premier Group does not have any convertible bonds outstanding.

(P) Security documents

The obligations of the Company and the guarantors in respect of the finance documents are secured pursuant to various security documents. The net proceeds of any enforcement of the security shall be applied by GLAS Trust Corporation Limited (as security agent) in accordance with the Intercreditor Agreement. English law governed debentures grant (among other things): (i) first equitable mortgages in respect of the shares in all of the obligors incorporated in England and Wales; (ii) first legal mortgage over certain freehold and leasehold property in England and Wales; (iii) assignments in respect of material contracts governed by English law; (iv) fixed charges in respect of the licences in the jurisdiction of England and Wales, intellectual property, plant and machinery, goodwill, certain mandatory prepayment bank accounts and all intercompany receivables; and (v) a floating charge over all other present and future assets not subject to fixed charge or assignment.

Where an obligor has material assets in any jurisdiction other than England and Wales, it has entered into local law governed security documents granting equivalent security to that provided in each English law governed debenture where applicable and in accordance with the agreed security principles in the Override Agreement.

(Q) Intercreditor Agreement

The purpose of the Intercreditor Agreement is to regulate the rights and obligations of the Super Senior Creditors, the Senior Creditors, the secured hedge counterparties and the administrative parties following Premier's 2017 Refinancing. It dictates the order in which the liabilities and obligations of any member of the Premier Group owed to creditors rank in right and priority of payment. It also subordinates the claims of the intragroup lenders and restricts the rights of the intra-group lenders to receive payments and take enforcement action, as well as the ability of the relevant members of the Premier Group to make payments to them.

Enforcement of security

The security shall only be enforceable upon the occurrence of an acceleration event following an instruction to GLAS Trust Corporation Limited (as security agent) from the instructing group. An "acceleration event" occurs if an event of default is outstanding under the Override Agreement and the relevant majority of creditors have given notice to the Company.

Restrictions on secured hedge counterparties

The Intercreditor Agreement places certain restrictions on the secured hedge counterparties including: (i) not taking any enforcement action (subject to certain exceptions); (ii) the requirement to terminate or close-out all secured hedging agreements following an acceleration event; and (iii) restricting amendments and waivers of any terms of any secured hedging agreement prior to the Secured Obligations Discharge Date.

Premier Group members

If any member of the Premier Group incurs any liabilities to a party to the Intercreditor Agreement, that member should accede to the Intercreditor Agreement.

5.2 Chrysaor Group

(A) Merger Agreement

Please see Part III (*Terms and Conditions of the Merger*) of this document for a detailed description of the Merger Agreement.

(B) ConocoPhillips Acquisition Agreement

On 18 April 2019, Chrysaor entered into a deed granting put and call options (the " **ConocoPhillips PCOA**") with ConocoPhillips Company ("**ConocoPhillips**"), pursuant to which Chrysaor acquired the entire issued share capital of ConocoPhillips Holdings Limited and Burlington Resources (UK) Holdings Limited, for a total consideration of US$2,675,000,000, subject to adjustment in accordance with the terms of the ConocoPhillips PCOA. The acquisition completed on 30 September 2019 but had an effective date of 1 January 2018.

The assets acquired by Chrysaor as a result of the acquisition comprised the majority of North Sea assets held by ConocoPhillips, however the transaction did not include ConocoPhillips' London-based commercial trading business nor its interest in the Teesside oil terminal, which were hived out prior to completion and excluded from the acquisition.

Pursuant to the terms of the ConocoPhillips PCOA, Chrysaor has indemnified ConocoPhillips for certain decommissioning and environmental liabilities relating to the entities acquired by Chrysaor, irrespective of when such liabilities are or were incurred. The ConocoPhillips PCOA contains customary warranties for a transaction of this nature which expire 18 months following the date of completion. The ConocoPhillips PCOA is governed by English law and the courts of England have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the ConocoPhillips PCOA.

(C) New RBL Facility

Please see Part IV (*Details of the Debt Restructuring*).

(D) Chrysaor Junior Facility

On 9 December 2020, Chrysaor Holdings Limited (as parent), Chrysaor E&P Finance Limited (as borrower) and the Shell Junior Lender entered into an amendment and restatement agreement to amend and restate the Shell Junior Facility Agreement.

The Shell Junior Facility Agreement comprises a single term loan facility of US$400 million, which was previously drawn by Chrysaor E&O Finance Limited at the time the loan arrangement was entered into. The term debt provided under the Shell Junior Facility Agreement will mature on 30 June 2026.

The Shell Junior Lender will benefit on a *pari passu* basis in respect of the same security arrangements entered into in respect of the New RBL Facility (as described above).

The interest rate is LIBOR plus a margin equal to the margin under the New RBL Facility plus 2 per cent. per annum.

The Shell Junior Facility Agreement contains prepayment and cancellation provisions, affirmative and negative covenants and information covenants which substantively reflect those provided under the New RBL Facility (to the extent relevant).

(E) STASCO Offtake Arrangements

The Chrysaor Group is party to eight offtake arrangements with Shell International Trading and Shipping Company Limited ("**STASCO**"), a subsidiary of Shell (the "**STASCO Offtake Arrangements**"), pursuant to which the Chrysaor Group has agreed to sell and STASCO has agreed to buy the Chrysaor Group's production across various fields and products which in aggregate equated to approximately 94 per cent. of the Chrysaor Group's production across all fields and products for the year ended 31 December 2019 (including all the crude oil produced by the Chrysaor Group), and which in aggregate represented approximately 95 per cent. of the Chrysaor Group's revenues for the year ended 31 December 2019. These arrangements do not provide for any minimum or maximum production volumes (i.e. STASCO is required to purchase all of the Chrysaor Group's production which is subject to such arrangements, regardless of the level of that production). These arrangements therefore secure sales of a substantial proportion of the Chrysaor Group's production and limit its exposure to offtake risk.

Seven of the STASCO Offtake Arrangements were entered into on 31 October 2017 in parallel with a US$400 million junior debt facility (the "Chrysaor Junior Facility") entered into between the Chrysaor Group and Shell Treasury Dollar Company Limited in order to finance part of the Shell Acquisition, with the other entered into 30 September 2019 in connection with the ConocoPhillips UK Acquisition. The Chrysaor Group is able to terminate the STASCO Offtake Arrangements on repayment of the Chrysaor Junior Facility (but no earlier than 31 October 2024). STASCO is able to terminate the STASCO Offtake Arrangements from 31 October 2022 and in certain other limited and customary circumstances, including in the event that the Chrysaor Group fails to deliver STASCO's entitlement to the Chrysaor Group's production which is available for delivery in accordance with the arrangements or the Chrysaor Group through wilful default is in material breach of its obligations under the arrangements (and fails to remedy such breach within an agreed period). The STASCO Offtake Arrangements also include mutual termination rights in the event of various insolvency and financial distress related events in respect of either party or in the event that either party has failed to pay undisputed amounts due (subject to notice periods).

The STASCO Offtake Arrangements were all entered into on arm's length commercial terms, which are typical for North Sea oil and gas offtake arrangements. In particular, the arrangements provide that the price payable by STASCO will be determined by reference to benchmarked prices published by third parties, such as Platts for crude oil (subject to customary protections for the Chrysaor Group, including in some cases having the right to require STASCO to sell its production by way of realised onward sales pricing less a marketing fee rather than by reference to benchmarked pricing).

In addition to being obliged to purchase the majority of the Chrysaor Group's current production, under the STASCO Offtake Arrangements, STASCO will automatically be required to purchase the additional production (i.e. new to the Chrysaor Group) from any field in respect of which an equity interest was originally acquired by the Chrysaor Group from Shell under the Shell Acquisition where the Chrysaor Group acquires an additional equity interest in such field. In addition, STASCO has a right to match the terms offered by third parties to the Chrysaor Group for production from any field in respect of which the Chrysaor Group acquires a new or additional equity interest where the Chrysaor Group did not acquire an equity interest in such field under the Shell Acquisition (provided such production is not already contracted to another party). As such, on completion of the Merger, under the STASCO Offtake Arrangements, STASCO will automatically be required to purchase some of Premier's production (in particular the production of the Elgin Franklin field), which would have equated to approximately 8 per cent. of Premier's production for the year ended 31 December 2019 and will have a right to match the terms offered by third party offtakers for the production of Premier's other fields for certain products, which would have equated to approximately 64 per cent. of Premier's production for the year ended 31 December 2019.

Accordingly, on a Combined Group basis, under the STASCO Offtake Arrangements STASCO would be required to purchase approximately 60 per cent. of the Combined Group's production, which would have represented approximately 55 per cent. of the Combined Group's revenues on a combined basis for the year ended 31 December 2019. In addition, STASCO would have been entitled to purchase (if it had exercised all of its rights to match) approximately 85 per cent. of the Combined Group's production, which would have represented approximately 90 per cent. of the Combined Group revenues on a combined basis for the year ended 31 December 2019.

5.3 Harbour North Sea

In addition to the Merger Agreement, which has been summarised in Part III (*Terms and Conditions of the Merger*) of this document, and the Relationship Agreement, which has been summarised at paragraph 5.1 of this Part VIII (*Additional Information*) a summary of all other contracts (not being contracts entered into in the ordinary course of business) that have been entered into by Harbour North Sea or Harbour Direct Holdings either: (i) within the two years immediately preceding the date of this document which are, or may be, material; or (ii) which have been entered into by Harbour North Sea and Harbour Direct Holdings and which contain provisions under which any member of the Harbour Group has an obligation or entitlement that is material as at the date of this document, is set out below.

(A) Lock-Up Deed

In accordance with the Merger Agreement, Harbour North Sea and Premier will, prior to Completion (but conditional on Admission), enter into a Lock-Up Deed whereby Harbour North Sea undertakes that it will not sell its Ordinary Shares for a period of 12 months following Completion (after which Harbour North Sea will be subject to a further 12 month orderly market covenant).

(B) Standstill Agreement

In accordance with the Merger Agreement, Harbour North Sea and Premier will, prior to Completion (but conditional on Admission), enter into a Standstill Agreement whereby Harbour North Sea undertakes that neither it nor any member of the Concert Party will acquire Ordinary Shares or make an offer for Ordinary Shares for a period of 24 months following Completion.

6. No significant change

6.1 Premier Group

Other than the following, there has been no significant change in the financial position or financial performance of the Premier Group since 30 June 2020, being the date to which the latest interim consolidated financial statements were published:

- the Premier Group has been dependent on the covenant deferrals granted by certain of its creditors (under the Support Letter, and prior to that, the Stable Platform Agreement) to continue as a going concern. For further details, please see section 4.2 Part I (*Letter from the Chairman of Premier*);
- in addition Premier has revised full year production guidance down to 61-64 kboepd. For further details please see section 6.1 of Part I (*Letter from the Chairman of Premier*); and
- moreover, the Premier Group continues to benefit from access to liquidity from its Existing Debt Facilities.

6.2 Chrysaor Group

There has been no significant change in the financial position or financial performance of the Chrysaor Group since 30 June 2020, being the date to which the most recent financial information has been prepared.

6.3 Chrysaor CPR

There have been no material changes since the date of the Chrysaor CPR, the omission of which would make such report misleading.

7. Consents and auditor

Ernst & Young LLP has given and has not withdrawn its written consent to the inclusion in this document of its report included in Section B of Part VI (*Unaudited Pro Forma* Financial Information) in the form and context in which it is included.

PricewaterhouseCoopers LLP has given and has not withdrawn its written consent to the inclusion in this document of its reports included in Section A and C of Part VII (*Historical financial information on the Chrysaor Group*) in the form and context in which it is included.

RBC has given and not withdrawn its written consent to the inclusion of its name in this document.

8. Documents available for inspection

Copies of the following documents will be available for inspection on the Premier Group's website at www.Premier-oil.com, for a period of at least 12 months from the date of publication of this document. As shareholder will be unable to attend the General Meeting, and given the current restrictions imposed by the government due to COVID-19, the following documents will not be available for physical inspection at the Company's office. Should you require a hard copy version of the documents below, please contact the Company secretary.

(A) the Articles;

(B) the Harbour North Sea articles of association;

(C) the Premier Group's 2017 Annual Report and Financial Statements;

(D) the Premier Group's 2018 Annual Report and Financial Statements;

(E) the Premier Group's 2019 Annual Report and Financial Statements;

(F) the Chrysaor CPR contained in Part X (*Competent Person's Report on the Chrysaor Group*) of the Prospectus;

(G) the consents referred to in section 7 of this Part VIII;

(H) the Prospectus;

(I) New RBL Facility;

(J) the Merger Agreement;

(K) Director irrevocable undertakings;

(L) the agreed form Lock-up Deed;

(M) the agreed form Standstill Agreement; and

(N) a copy of this Circular and the Form of Proxy.

PART IX – DEFINITIONS

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

2009 LTIP	the Premier Group's 2009 long term incentive plan;
2011 USPP Note Agreement	the note purchase and guaranty agreement dated 9 June 2011 entered into between POUK, the Company and the note purchasers therein as amended and restated pursuant to an amendment and restatement agreement dated 20 July 2017;
2012 USPP Note Agreement	the note purchase and guaranty agreement dated 15 March 2012 entered into between POUK, the Company and the note purchasers listed therein as amended and restated pursuant to an amendment and restatement agreement dated 20 July 2017;
2017 Refinancing	the refinancing of the Premier Group's debt facilities in July 2017;
2020 AGM	the annual general meeting of the Company held on 25 June 2020;
2020 Schemes	the schemes of arrangement announced by Premier and POUK in January 2020 which proposed an amendment and extension of the Premier Group's Existing Debt Facilities and were registered with Companies House on 1 July 2020;
Admission	the admission of the Consideration Shares and the Creditor Shares to listing on the premium segment of the FCA's Official List and to trading on the main market of the London Stock Exchange;
AELE	the Armada, Everest, Lomond and Erskine fields in the Central North Sea;
AGM	has the meaning given to it in paragraph 1.5 of Part V (Details of the Takeover Panel Rule 9 Waiver and whitewash);
Annual Reports and Accounts	the audited annual reports and accounts of Premier;
ARCM	Asia Research & Capital Management Ltd, as investment manager of certain affiliated funds;
Articles or Articles of Association	the articles of association of Premier as at the date of this document;
Board	the board of directors of the Company from time to time;
BP	BP plc;
Brexit	the United Kingdom's withdrawal from the European Union;
Business Day	any day (excluding Saturdays, Sundays and public holidays in England and Wales) on which banks are generally open for business in London;
Buyback Authority	the authority approved by Shareholders at the annual general meeting of Premier held on 25 June 2020 for Premier to repurchase Ordinary Shares representing up to ten per cent. of the issued ordinary share capital at the time the AGM notice was published;
Chrysaor	Chrysaor Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands;
Chrysaor Group	Chrysaor and each of its subsidiary undertakings;
Chrysaor CPR	the competent person's report on the Chrysaor Group at Part X (*Competent person's report on the Chrysaor Group*) of the Prospectus;

Chrysaor Shareholders	the shareholders of Chrysaor from time to time;
CATS	Central Area Transmission System;
Circular	the circular issued by Premier in connection with the Merger and the Debt Restructuring, containing the Notice of General Meeting;
Closing Price	the closing middle market quotation of an Existing Ordinary Share as derived from the daily official list published by the London Stock Exchange;
Combined COP Subsidiaries	Chrysaor Petroleum Company U.K. Limited (formerly ConocoPhillips Petroleum Company U.K. Limited), Chrysaor Resources (Irish Sea) Limited (formerly Burlington Resources (Irish Sea) Limited), Chrysaor (U.K.) Sigma Limited (formerly ConocoPhillips (U.K.) Sigma Limited) and their subsidiary and associate undertakings;
Combined Group	the Premier Group following the completion of the Merger;
Companies Act 2006	the Companies Act 2006, as amended from time to time;
Company or Premier	Premier Oil plc, a company incorporated in Scotland with registered number SC234781, whose registered office is 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN;
Completion	the completion of the Merger in accordance with the terms of the Merger Agreement;
Concert Party	the concert party for the purposes of the Takeover Code as more particularly described in paragraph 2 of Part V (*Details of the Takeover Panel Rule 9 Waiver and whitewash*) of this document;
ConocoPhillips	ConocoPhillips Company;
ConocoPhillips PCOA	the put and call option agreement dated 18 April 2019 between ConocoPhillips and Chrysaor;
Consideration Shares	the 14,253,203,210 New Ordinary Shares to be issued to Harbour and Chrysaor's other shareholders on completion of the Merger pursuant to the Merger Agreement;
Converted Facility Agreement	the US$130,000,000 term loan facility agreement between, among others, Premier, POUK and Global Loan Agency Services Limited (as facility agent) which replaced certain Schuldschein loans dated 25 September 2013 and 28 October 2013, as amended and restated pursuant to an amendment and restatement agreement dated 20 July 2017;
Convertible Equity Warrants	the 18,688,692 registered convertible equity warrants issued by the Company to Convertible Bondholders pursuant to a convertible equity warrant instrument dated 26 July 2017;
Corporate Governance Code	the latest UK Corporate Governance Code published by the Financial Reporting Council;
CPR	competent person's report;
Creditor Lock-up Agreement	the lock-up agreement entered into between certain Restructuring Plan Creditors and the Company, as further detail in section 5.1 of Part VIII (*Additional Information*);
Creditor Lock-Up Period	(i) in respect of the first 50 per cent. of a relevant creditor holder's Creditor Shares, the period of three months immediately following the completion of the Debt Restructuring; and (ii) in respect of the remaining 50 per cent. of a relevant creditor holder's Creditor Shares, the period of six months immediately following the date in which completion of the Debt Restructuring occurs;

Creditor Record Time	5 p.m. on 18 February 2021 or, if the date of the Restructuring Plan Meetings changes, 5 p.m. on the date which is two business days before the Restructuring Plan Meetings;
Creditor Shares	the 3,331,917,634 Ordinary Shares to be issued by the Company pursuant to the Debt Restructuring;
CREST	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited is the operator (as defined in the CREST Regulations);
CREST Manual	the rules governing the operation of CREST as published by Euroclear UK & Ireland Limited;
CREST member	a person who has been admitted by Euroclear as a system member (as defined in the CREST Regulations);
CREST Regulations	the Uncertificated Securities Regulations 2001 (S.I. 2001 No. 3755), as amended;
DBEIS	the Department for Business, Energy and Industrial Strategy;
Debt Restructuring	the restructuring of the Premier Group's indebtedness as announced on 6 October 2020 and as described in Part IV (*Details of the Debt Restructuring*), including the Interim Maturity Extension;
Directors	the current directors of the Company, and "**Director**" shall mean any one of them;
Document or document	this Circular;
DTR or Disclosure Guidance and Transparency Rules	the Disclosure Guidance and Transparency Rules made by the FCA under section 73A of FSMA, as amended from time to time;
EBITDA	earnings before interest, tax, depreciation and amortisation;
EBITDAX	earnings before interest, tax, depreciation, amortisation, impairment, exploration spend and certain other one-off items;
EIG	EIG Global Energy Partners;
Employee Share Schemes	together, the 2009 LTIP, the LTIP, the 2017 SIP and the SAYE;
English Restructuring Plan	the restructuring plan proposed pursuant to Part 26A of the Companies Act between POHL and its relevant creditors;
English Restructuring Plan Creditor Meetings	the creditor meetings to be held on 22 February 2021 in respect of the English Restructuring Plan;
Enlarged Issued Share Capital	the enlarged issued share capital of Premier immediately following completion of the Merger and the Debt Restructuring and Admission;
Equity Adjustment Event	the events listed in paragraph 4(F) of Part IV (*Details of the Debt Restructuring*) of this document;
ERCE	ERC Equipoise Limited;
ESG	Environmental, Social and Governance;
EU	the European Union;
EUR, euro or €	the lawful currency of the EU;
Excluded Territories	Australia, Canada, Hong Kong, Indonesia, Japan, South Africa, the United States and any other jurisdiction where the extension or availability of any other transaction contemplated by the Merger and Debt Restructuring would breach any applicable law or regulation;

Exercise Notice	an Exercise Notice in the appropriate form appended to the New Equity Warrant Deed Poll;
Exercise Period	the period between the date on which the Refinancing completes and the two year anniversary of such date;
Existing Debt Facilities	the Senior RCF/LC Facility Agreement, the Super Senior Secured RCF/LC Facility Agreement, the Nelson Bilateral LC Facility Agreement, the Term Loan Facility Agreement and the Converted Facility Agreement, the USPP Notes and NPAs and the Retail Bonds;
Existing Equity Warrants	the 71,012,952 registered equity warrants issued by the Company to the Super Senior Creditors and the Senior Creditors pursuant to an equity warrant instrument dated 20 July 2017;
Existing Maturity Date	31 May 2021;
Existing Ordinary Shares	the Ordinary Shares in issue immediately prior to the Merger and the Debt Restructuring;
FCA	the Financial Conduct Authority, including in its capacity as the competent authority for the purposes of Part VI of FSMA;
Form of Proxy	the form of proxy enclosed with the Circular for use in connection with the General Meeting;
FPS	the Forties Pipeline System;
FSMA	the Financial Services and Markets Act 2000, as amended from time to time;
General Meeting	the general meeting of the Company proposed to be held at 23 Lower Belgrave Street, London SW1W 0NR at 2 p.m. on 12 January 2021 to approve the Resolutions, the notice of which is contained in the Circular;
Global Warrant Certificates	the form of the Regulation S Global Warrant Certificate and/or the US Global Warrant Certificate as set out in the New Equity Warrant Deed Poll;
Harbour	certain EIG-managed entities, including Harbour Chrysaor Equity Holdings, Ltd., Harbour North Sea, EIG Swift Co-Investment, L.P. and EIG Swift Co-Investment GP, Ltd.;
Harbour Group	Harbour LP and each of its subsidiary undertakings;
Harbour North Sea	Harbour North Sea Holdings, Ltd., an exempted company with limited liability incorporated in the Cayman Islands;
Harbour North Sea Directors	Jean-Daniel Borgeaud and Vahid Farzad;
Harbour Responsible Persons	Blair Thomas, Randall Wade, Jean-Daniel Borgeaud, Vahid Farzad and Linda Cook;
Hedge Counterparties	the financial institutions which are party to ISDA Master Agreements with members of the Premier Group and which are party to the Override Agreement and the Intercreditor Agreement in such capacity;
HMRC	Her Majesty's Revenue and Customs;
Individual Warrant Certificate	the form of the Regulation S Global Warrant Certificate and/or the US Global Warrant Certificate as set out in the New Equity Warrant Deed Poll;

Intercreditor Agreement	the intercreditor agreement dated 20 July 2017 entered into between, amongst others, the Company, POUK, Global Loan Agency Services Limited (as global agent) and GLAS Trust Corporation Limited (as security agent);
Interest Cover Ratio	has the meaning given to it in paragraph 3.3 of Part IV (*Details of the Debt Restructuring*);
Interim Maturity Extension	the proposed extension of the Premier Group's maturity dates under the Existing Debt Facilities from 31 May 2021 to 31 March 2022 in order to allow time for the Merger to complete, or alternatively as a fall-back contingency plan in order to allow an alternative transaction to address the Premier Group's Existing Debt Facilities in the event that the Merger does not complete by 31 May 2021;
Investor Letter	a letter from a New Equity Warrant Holder substantially in the form set out in the New Equity Warrant Deed Poll;
ISDA Master Agreement	the 1992 ISDA Master Agreement or the 2002 ISDA Master Agreement;
IWG	the informal working group of institutions who constitute a subset of the Premier Group's largest existing creditors in connection with the Existing Debt Facilities;
Latest Practicable Date	14 December 2020;
Listing Rules	the listing rules made by the FCA under section 73A of FSMA, as amended from time to time;
Lock-up Deed	the share lock-up deed to be entered into between Harbour and Premier subject to Completion and conditional on Admission;
London Stock Exchange	London Stock Exchange plc;
Long Stop Date	30 September 2021 (or such later date as may be agreed by Premier, Chrysaor and Majority Creditors provided that such later date may not be later than 1 December 2021);
Majority Creditors	the Private Creditors and XCCY Hedge Counterparties who represent, in aggregated, more than two thirds of the commitments in respect of the Premier Group's Existing Debt Facilities;
Management Warranty Deed	the warranty deed given by certain members of Chrysaor Group management in connection with the Merger dated 6 October 2020;
Market Abuse Regulation	Regulation (EU) No. 594/2014 of the European Parliament and the Council of 16 April 2014 on market abuse;
Merger	the proposed merger of Chrysaor with Premier by way of a reverse takeover and in consideration for the allotment and issue of the Consideration Shares;
Merger Agreement	the merger agreement between Premier, Chrysaor and certain members of the Harbour and EIG groups dated 2 November 2020;
Merger, Whitewash and Debt Restructuring Resolutions	resolutions 1 to 4 and, to the extent required to implement the Merger and the Debt Restructuring, Resolution 6, in the Notice of General Meeting;
mmboe	million barrels of oil equivalent;
Money Laundering Regulations	the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692), as amended;

NBP	the National Balancing Point operated by National Grid is a virtual location where ownership rights of gas already available on the UK gas grid are exchanged;
Nelson Bilateral LC Facility	the credit facility made available to the Company and POUK pursuant to the terms of the Nelson Bilateral LC Facility Agreement;
Nelson Bilateral LC Facility Agreement	the bilateral revolving letter of credit facility agreement for £4,380,000 between the Company, POUK and DBS Bank Ltd., London branch as amended and restated pursuant to an amendment and restatement agreement dated 20 July 2017;
Net Leverage Ratio	has the meaning given to it in paragraph 3.3 of Part IV (*Details of the Debt Restructuring*);
New Equity Warrant Deed Poll	the deed poll pursuant to which the New Equity Warrants will be constituted;
New Equity Warrant Holder	any holder of a New Equity Warrant;
New Equity Warrants	the equity warrants issued to electing Restructuring Plan Creditors, the terms of which are governed by the New Equity Warrant Deed Poll as described in paragraph 4 of Part IV (*Details of the Debt Restructuring*) of this document;
New Equity Warrants Exercise Price	0.001 pence, as adjusted from time to time;
New Ordinary Shares	the Ordinary Shares to be issued pursuant to the Merger and the Debt Restructuring (including the Consideration Shares and the Creditor Shares);
New RBL Facility	the amended and restated senior secured revolving borrowing base facility agreement entered into on 23 November 2020 between Chrysaor and New RBL Lenders in accordance with the Merger Agreement;
New Warrant Shares	the New Ordinary Shares issuable upon the exercise of New Equity Warrants, as the same may be adjusted from time to time in accordance with the terms of the New Equity Warrants;
Nomination Committee	the nomination committee of Premier from time to time;
Non-Voting Deferred Shares	the new class of share which the Company proposes to create pursuant to the Subdivision and Resolution 4 in the Notice of General Meeting, the terms of which are set out in Resolution 4;
Non-XCCY Hedge Counterparties	a Hedge Counterparty other than a XCCY Hedge Counterparty;
Non-XCCY Hedging Support Letter	each support letter signed by a Non-XCCY Hedge Counterparty under which each such Non-XCCY Hedge Counterparty agrees to support the Merger and Debt Restructuring, as more fully described in paragraph 5.1 of Part VIII (*Additional Information*) of this Circular;
Notice of General Meeting	the notice of General Meeting contained in Part X (*Notice of General Meeting*) in the Circular;
NPAs	the note purchase agreements relating to the USPP Notes;
Official List	the official list of the FCA;
OGA	Oil and Gas Authority;
Ordinary Shares	the ordinary shares with a nominal value of 12.5 pence each (and, following the Subdivision, 0.0001 pence each) in the capital of the Company in issue from time to time;

Override Agreement	the override agreement dated 20 July 2017 between, amongst others, the Company, various of the Company's subsidiaries (as guarantors), Global Loan Agency Services Limited (as global agent) and GLAS Trust Corporation Limited (as security agent);
Overseas Shareholders	Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom, and "**Overseas Shareholder**" shall be construed accordingly;
Partial Cash Alternative	as part of the Debt Restructuring, the further cash payment which Restructuring Plan Creditors may elect to receive instead of receiving Creditor Shares, the aggregate amount of which is capped at approximately US$175 million;
Participating Creditors	Private Creditors and XCCY Hedge Counterparties which are party to the Support Letter;
POBL	Premier Oil Belgravia Limited;
POHL	Premier Oil Holdings Limited;
POUK	Premier Oil UK Limited;
Pounds Sterling, Sterling, GBP, pence or £	the lawful currency of the United Kingdom;
PRA	Prudential Regulation Authority;
Premier Group	Premier, together with its subsidiaries and subsidiary undertakings from time to time;
Private Creditors	the creditors of the relevant members of the Premier Group in respect of the Private Debt Facilities;
Private Debt Facilities	the Super Senior Secured RCF/LC Facility Agreement, the Senior RCF/LC Facility Agreement, the Term Loan Facility Agreement, the USPP Notes, the Converted Facility Agreement and the Nelson Bilateral LC Facility Agreement;
Prospectus	the prospectus published by the Company on 16 December 2020;
Prospectus Regulation	Regulation (EU) 2017/1129, as amended;
Prospectus Regulation Rules	the prospectus regulation rules made by the FCA under section 73A of FSMA, as amended from time to time;
RBC	RBC Europe Limited (trading as RBC Capital Markets);
RBL	has the meaning given to it in paragraph 3.1 of Part IV (*Details of the Debt Restructuring*);
Readmission	readmission of the Existing Ordinary Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities;
Registrar	Link Asset Services, of The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU;
regulatory authority	any central bank, ministry, governmental, quasi-governmental (including the EU), supranational, statutory, regulatory or investigative body or authority (including any national or supranational antitrust or merger control authority), national, state, municipal or local government (including any subdivision, court, administrative agency or commission or other authority thereof), private body exercising any regulatory, taxing, importing or other authority, trade agency, association, institution or professional or environmental body or any other person or body

	whatsoever in any relevant jurisdiction, including for the avoidance of doubt, the Takeover Panel, the FCA, the FCA and the London Stock Exchange;
Regulatory Information Service	one of the regulatory information services authorised by the FCA to receive, process and disseminate regulatory information from listed companies;
Relationship Agreement	a relationship agreement to be entered into by the Company prior to the completion of the Merger (but conditional on Admission) with Harbour North Sea Holdings, Ltd;
Resolutions	each of the Resolutions 1 to 7, which are set out in the Notice of General Meeting and "**Resolution**" shall be construed accordingly;
Restructuring Plans	the English Restructuring Plan and the Scottish Restructuring Plans;
Restructuring Plan Creditors	the creditors of the Premier Group who are entitled to vote on the Restructuring Plans, being those creditors in respect of: (i) the Super Senior Secured RCF/LC Facility Agreement, (ii) the Senior RCF/LC Facility Agreement, (iii) the Term Loan Facility Agreement, (iv) the USPP Notes and the NPAs, (v) the Converted Facility Agreement, (vi) the Nelson Bilateral LC Facility Agreement; (vii) the Retail Bonds; and (viii) the XCCY Swaps, as at the Creditor Record Time;
Restructuring Plan Creditor Meetings	the Scottish Restructuring Plan Creditor Meetings and the English Restructuring Plan Creditor Meetings;
Retail Bondholders	the holders of the Retail Bonds at the Creditor Record Time;
Retail Bonds	the retail bonds described in paragraph 5 of Part VIII (*Additional Information*) of this document;
Rule 9 Waiver	the waiver granted by the Takeover Panel of the obligations which may otherwise arise pursuant to Rule 9 of the Takeover Code for any member of the Concert Party to make a general offer for the entire issued share capital of Premier as a result of either (i) the issue to the Concert Party of the Consideration Shares pursuant to the Merger Agreement, and/or (ii) the exercise by Premier of the Buyback Authority;
SAYE	the Premier Group's save as you earn scheme, approved by Shareholders on 29 May 2009;
Scottish Restructuring Plan	the restructuring plan proposed pursuant to Part 26A of the Companies Act between the Company and POUK and each of their relevant Restructuring Plan Creditors in order to implement the proposed Debt Restructuring and/or the Interim Maturity Extension;
Scottish Restructuring Plan Creditor Meetings	means the creditor meetings anticipated to be held on 22 February 2021 in respect of the Scottish Restructuring Plan;
SEAL	Shearwater Elgin Area Line;
SEC	the US Securities and Exchange Commission;
Senior RCF/LC Facilities	together, the Senior Secured Cash Loan Facility and the Senior Secured LC Sub-Facilities;
Senior RCF/LC Facility Agreement	a syndicated revolving and letter of credit facility agreement for up to US$1,781,032,945.80 with the effective date of 28 July 2017 between, among others, the Company, POUK, Premier Oil Holdings Limited, Premier Oil Exploration and Production

	Limited and Barclays Bank PLC (as facility agent), which is utilised by way of the Senior RCF Facilities as further described in paragraph 5.1 of Part VIII (*Additional Information*) of this document;
Senior Restructuring Plan Creditors or Senior Creditor	the creditors of the Premier Group who are entitled to vote on the Restructuring Plans, being those creditors in respect of: (i) the Senior RCF/LC Facility Agreement, (ii) the Term Loan Facility Agreement, (iii) the USPP Notes and the NPAs, (iv) the Converted Facility Agreement, (v) the Nelson Bilateral LC Facility Agreement; (vi) the Retail Bonds; and (vii) the Senior XCCY Swaps, as at the Creditor Record Time;
Senior Secured Cash Loan Facility	the loan facility made available pursuant to the Senior RCF/LC Facility Agreement;
Senior Secured Debt Facilities	the Senior RCF/LC Facilities, the facilities under the Term Loan Facility Agreement, the Nelson Bilateral LC Facility, the USPP Notes, the Retail Bonds and the facilities under the Converted Facility Agreement;
Senior Secured LC Sub-Facilities	the LC sub-facilities made available pursuant to the Senior RCF Facility Agreement;
Senior XCCY Hedge Counterparties	the XCCY Hedge Counterparties with Senior XCCY Exposures;
Senior XCCY Exposures	the exposure of XCCY Hedge Counterparties under the XCCY Swaps as at a reference date of 15 March 2016 that ranks senior in accordance with the Intercreditor Agreement;
Senior XCCY Swaps	has the meaning given to it in paragraph 2 of Part IV (*Details of the Debt Restructuring*);
Shareholder	any holder of Ordinary Shares registered on the register of members of the Company from time to time;
Shareholder Helpline	the telephone helpline for Shareholders, details of which are set out in Part X (*Notice of General Meeting*) of this document;
Shell	Royal Dutch Shell plc, together with its subsidiaries and subsidiary undertakings from time to time;
Shell Acquisition	the acquisition by the Chrysaor Group of interests in the Armada hub and Elgin-Franklin, Glenelg, Everest, Lomond, Erskine, Buzzard, Beryl, J-Area, Schiehallion and Bressay fields from Shell for US$3.0 billion in November 2017;
Shell Junior Facility Agreement	the US$400,000,000 junior facility agreement dated 30 January 2017 (as amended from time to time) and made between, among others, Chrysaor and the Shell Junior Lender;
Shell Junior Lender	Shell Treasury Dollar Company Limited;
SIP	the share incentive plan, approved by Shareholders on 16 May 2019 and the equivalent unapproved scheme operated for the Premier Group's expatriate employees;
Sponsor	RBC Capital Markets;
Stable Platform Agreement	the stable platform agreement entered into between certain members of the Premier Group and the requisite majorities of its creditors on 8 July 2020 which, among other things, waived the forecasted breaches of certain financial covenants contained in the Override Agreement in respect of the testing period ended 30 June 2020;

Standstill Agreement	the standstill agreement to be entered into between Harbour and Premier subject to Completion and conditional on Admission, whereby Harbour North Sea undertakes that neither it nor any member of the Concert Party will acquire Ordinary Shares or make an offer for Ordinary Shares for a period of 24 months following Completion;
Standalone Transaction	the (previously) proposed extension of the Premier Group's maturity dates under its existing debt facilities to 31 March 2025, in connection with an equity raise of up to US$530 million and the acquisition of the Andrew and Shearwater assets from BP, as announced on 5 June 2020 and 20 August 2020, which is no longer being pursued by the Company;
STASCO	Shell International Trading and Shipping Company Limited;
STASCO Offtake Arrangements	the eight offtake arrangements between STASCO and the Chrysaor Group;
Subdivision	the proposed subdivision of the Company's Ordinary Shares into (a) one Ordinary Share with a nominal value of 0.0001 pence each; and (b) one Non-Voting Deferred Share with a nominal value of 12.4999 pence each, as set out in paragraph 7 Part IV (*Details of the Debt Restructuring*);
Subdivision Record date	anticipated to be on 25 March 2020;
Subdivision Resolution	Resolution 4 as set out in the Notice of General Meeting;
Super Senior Creditors	the creditors under the Super Senior Secured RCF/LC Facility Agreement;
Super Senior RCF/LC Restructuring Plan Creditors	the creditors of the Premier Group who are entitled to vote on the Restructuring Plans, being those creditors in respect of the Super Senior Secured RCF/LC Facility Agreement, as at the Creditor Record Time;
Super Senior Secured LC Sub-Facilities	the LC sub-facilities made available by the Super Senior Creditors pursuant to the Super Senior Secured RCF/LC Facility Agreement;
Super Senior Secured RCF/LC Facilities	together, the Super Senior Secured Revolving Credit Facility and the Super Senior Secured LC Sub-Facilities;
Super Senior Secured RCF/LC Facility Agreement	a syndicated revolving and letter of credit facility agreement for up to US$718,967,054.20 with the effective date of 28 July 2017 between (amongst others) the Company, POUK as borrower and Barclays Bank plc (as facility agent);
Super Senior Secured Revolving Credit Facility	the revolving credit facility made available by the Super Senior Creditors pursuant to the Super Senior Secured RCF/LC Facility Agreement;
Super Senior XCCY Exposures	in respect of the XCCY Hedge Counterparties, the increased exposure which ranks senior since the reference date of 15 March 2016;
Super Senior XCCY Hedge Counterparties or **Super Senior XCCY Restructuring Plan Creditors**	the XCCY Hedge Counterparties with Super Senior XCCY Exposures;
Super Senior XCCY Swaps	has the meaning given to it in paragraph 2 of Part IV (*Details of the Debt Restructuring*);
Support Letter	the support letter as described in paragraph 5.1 of Part VIII (*Additional Information*);

Takeover Code	the City Code on Takeovers and Mergers;
Term Loan Facilities	Term Loan Facility A and Term Loan Facility B;
Term Loan Facility A	the term loan facility of £100,000,000 available under the Term Loan Facility Agreement;
Term Loan Facility Agreement	the term loan facility agreement dated 29 November 2013, entered into between, amongst others, Lloyds Bank plc (as facility agent), the Company, and POUK as amended and restated on 28 July 2017;
Term Loan Facility B	the term loan facility of US$150,000,000 available under the Term Loan Facility Agreement;
Tolmount	the Tolmount gas field;
Top-Up Election	as part of the Debt Restructuring, the Senior Creditors and Senior XCCY Hedge Counterparties may subscribe, in cash at a pre-agreed price, for those Creditor Shares which would have been issued to Senior Creditors and Senior XCCY Hedge Counterparties had they not elected instead to take the Partial Cash Alternative;
UKCS	UK Continental Shelf;
Uncertificated or in uncertificated form	in relation to a share or other security, a share or other security title to which is recorded in the relevant register of the share or other security concerned as being held in uncertificated form that is, in CREST) and title to which may be transferred by using CREST;
UK Government	the government of the United Kingdom, from time to time;
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland;
United States or US	the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia, and all other areas subject to its jurisdiction;
Upfront Cash Consideration	the upfront cash payment of US$1.23 billion (subject to certain adjustments) to Restructuring Plan Creditors in satisfaction of part of the Premier Group's Existing Debt Facilities and XCCY Swaps as part of the Debt Restructuring;
USD, US$ or US dollar	the lawful currency of the United States;
USPP Notes	the tranches of notes issued by POUK under the 2011 USPP Note Agreement and the 2012 USPP Note Agreement;
Whitewash Resolution	Resolution 2 as set out in the Notice of General Meeting;
Warrant Agent	the warrant agent to be appointed by the Company in respect of the New Equity Warrants;
XCCY Hedge Counterparties	the counterparties to the XCCY Swaps;
XCCY Swaps	has the meaning given to it in paragraph 2 of Part IV (*Details of the Debt Restructuring*);

PART X – NOTICE OF GENERAL MEETING

PREMIER OIL PLC

(Incorporated and registered in Scotland with registered number SC234781)

NOTICE IS HEREBY GIVEN that a general meeting of Premier Oil plc (the "**Company**") will be held at 23 Lower Belgrave Street, London, SW1W 0NR on 12 January 2021 at 2 p.m. (the "**General Meeting**") for the purposes of considering and, if thought fit, passing the following ordinary and special resolutions (the "**Resolutions**").

This Notice of General Meeting concerns matters described in a circular to shareholders of the Company dated 16 December 2020 (the "**Circular**"). Words and expressions defined in the Circular have the same meaning when used in this Notice of General Meeting.

ORDINARY RESOLUTIONS

1. THAT:

   (i) the proposed merger of Chrysaor and the Company on the terms and subject to the conditions set out in the Merger Agreement; and

   (ii) all other associated agreements and ancillary arrangements related to the Merger Agreement,

   in each case be and are hereby approved and that the directors of the Company be and are hereby authorised to take all such steps as may be necessary, expedient or desirable in relation thereto and to carry the same into effect with such modifications, variations, revisions or amendments (provided such modifications, variations or amendments are not of a material nature) as they shall deem necessary, expedient or desirable.

2. THAT, the waiver granted by the Panel of the obligation which may otherwise arise pursuant to Rule 9 of the Takeover Code on any member of the Concert Party to make a general offer for the entire issued share capital of the Company as a result of:

   (i) the issue to the Concert Party of the Consideration Shares attributable to their shares in Chrysaor, pursuant to the Merger Agreement; and/or

   (ii) any increase in the percentage of shares in the Company in which any member of the Concert Party is interested resulting from the exercise by the Company of any or all of the Buyback Authority,

   be and is hereby approved, subject to, in the case of (ii) only: (a) such approval expiring at the conclusion of the first annual general meeting of the Company that takes place after Completion, and (b) Harbour being interested in a maximum of 45.14 per cent. of the issued share capital of the Company excluding treasury shares.

3. THAT:

   (i) the Company's directors be and are hereby generally and unconditionally authorised, without prejudice to the authority conferred on the directors of the Company at the last annual general meeting of the Company, to exercise all powers of the Company in accordance with section 551 of the Companies Act 2006 to allot, shares in the Company and to grant rights to subscribe for or to convert any security into such shares (all of which transactions are hereafter referred to as an allotment of "**relevant securities**") up to an aggregate nominal amount of £17,733.21 in connection with the Merger, the Debt Restructuring, the Top-Up Election, the New Equity Warrants and the New Warrant Shares, such power to apply until 12 March 2022 unless previously renewed, varied or revoked by the Company in general meeting, but in each case, during this period the Company may make offers, and enter into agreements, which would, or might, require relevant securities to be allotted after the authority expires and the directors of the Company may allot relevant securities under any such offer or agreement as if the authority had not expired;

(ii) the directors be and are hereby generally and unconditionally authorised, without prejudice to the authority conferred on the directors of the Company at the last annual general meeting of the Company or Resolution 3(i) above, to exercise all powers of the Company in accordance with section 551 of the Companies Act 2006 to allot, shares in the Company and to grant rights to subscribe for or to convert any security into such shares (all of which transactions are hereafter referred to as an allotment of "relevant securities") up to an aggregate nominal amount of £740.43 in order to give effect to the customary anti-dilution provisions contained in the New Equity Warrant Deed Poll, in addition to the amount set out in Resolution 3(i), in the event that such customary anti-dilution provisions require the Company to allot additional Ordinary Shares to holders of the New Equity Warrants (in accordance with the terms of the New Equity Warrant Deed Poll), such power to apply until 12 March 2022 unless previously renewed, varied or revoked by the Company in general meeting, but in each case, during this period the Company may make offers, and enter into agreements, which would, or might, require relevant securities to be allotted after the authority expires and the directors of the Company may allot relevant securities under any such offer or agreement as if the authority had not expired; and

(iii) the directors be and are hereby generally and unconditionally authorised to allot Creditor Shares (including Creditor Shares issued pursuant to the Top-Up Election at a price equal to US$0.1144 per share, which based on the applicable foreign exchange rate as at the Latest Practicable Date, was equal to 8.57 pence per Ordinary Share representing a discount of 60.32 per cent.), each as described in the Prospectus and the Circular.

4. THAT, each Ordinary Share of 12.5 pence each in the capital of the Company in issue at the Subdivision Record Date be subdivided into one Ordinary Share of 0.0001 pence each and one Non-Voting Deferred Share of 12.4999 pence each, with each such Non-Voting Deferred Share having the rights and restrictions set out below:

"A Non-Voting Deferred Share of 12.4999 pence each in the capital of the Company (the "**Non-Voting Deferred Shares**") shall have the following rights and be subject to the following restrictions:

(i) holders of Non-Voting Deferred Shares shall have no entitlement as such to any dividend or (save as provided in (ii) below) any other distribution or return of capital and shall not be entitled to any further or other right of participation in the assets of the Company;

(ii) the entitlement of a holder of a Non-Voting Deferred Share to participate on a return of assets on a winding up of the Company shall be limited to the repayment of the amount paid up or credited as paid up on such share to a maximum of 12.4999 pence per share and shall be paid only after the holders of any and all Ordinary Shares then in issue shall have received payment in respect of such amount as is paid up or credited as paid up on those Ordinary Shares held by them at that time plus the payment of £10,000,000 for every Ordinary Share paid up or credited as paid up on those Ordinary Shares;

(iii) the holders of the Non-Voting Deferred Shares shall have no right as such to receive notice of or to attend or vote at any general meeting of the Company;

(iv) the Non-Voting Deferred Shares shall not be transferable (unless such a transfer is authorised by the Directors);

(v) holders of Non-Voting Deferred Shares shall not be entitled to receive any share certificate in respect of their holdings;

(vi) any cancellation of the Non-Voting Deferred Shares for no consideration by way of reduction of capital shall not involve a variation or abrogation of the rights attaching thereto;

(vii) the Company shall have the irrevocable authority to appoint any person to execute on behalf of the holders of the Non-Voting Deferred Shares a transfer thereof and/or an agreement to transfer and/or to purchase the same and to execute any other documents which such person may consider necessary or desirable to effect such transfer and/or purchase, in each case without obtaining the sanction of the holder(s) and for an aggregate payment of 0.0001 pence in respect of the total number of Non-Voting Deferred Shares being made in respect of such acquisition; and

(viii) the rights attached to the Non-Voting Deferred Shares shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking in priority to or *pari passu* with or subsequent to such shares or by any amendment or variation of the rights of any other class of shares of the Company.".

5. THAT, with effect from the day following completion of the Merger and the Debt Restructuring, in substitution for the allotment authority conferred on the directors of the Company at the last annual general meeting of the Company (but without prejudice to any allotments made pursuant to that authority) and in addition to the amount set out in Resolution 3 above, the directors of the Company be generally and unconditionally authorised to exercise the powers of the Company pursuant to, and in accordance with, section 551 of the Companies Act 2006, to allot shares in the Company and to grant rights to subscribe for, or to convert any security into shares in the Company:

(i) up to an aggregate nominal amount of £6,170.22 (such amount to be reduced by the nominal amount of any allotments or grants made under paragraph (ii) below in excess of such sum); and

(ii) comprising equity securities (as defined in the Companies Act 2006) up to a further aggregate nominal amount of £12,340.44 (such amount to be reduced by any allotments or grants made under paragraph (i) above) in connection with an offer by way of a rights issue:

(1) to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their existing holdings; and

(2) to holders of other equity securities as required by the rights of those securities or, subject to such rights, as the directors of the Company otherwise consider necessary,

and so that the directors of the Company may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authority to apply until 12 March 2022 unless previously renewed, varied or revoked by the Company in general meeting, but, in each case, during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority expires and the directors of the Company may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not expired.

SPECIAL RESOLUTIONS

6. THAT, the Company's directors be and are hereby generally and unconditionally authorised, without prejudice to the authority conferred on the directors of the Company at the last annual general meeting of the Company, to allot equity securities (as defined in the Companies Act 2006) for cash pursuant to the authority granted by Resolution 3 and/or pursuant to section 573 of the Companies Act 2006 to sell Ordinary Shares held by the Company as treasury shares for cash, in each case free of the restriction in section 561 of the Companies Act 2006, to the extent required in connection with the Merger, the Debt Restructuring, the Top-Up Election, the New Equity Warrants and the New Warrant Shares such authority to apply until 12 March 2022 unless previously renewed, varied or revoked by the Company in general meeting, but during this period the Company may make offers, and enter into agreements, which would, or might, require relevant securities to be allotted after the authority expires and the directors of the Company may allot relevant securities under any such offer or agreement as if the authority had not expired.

7. THAT, with effect from the day following completion of the Merger and the Debt Restructuring, in substitution for the equivalent authority conferred on the directors of the Company at the last annual general meeting of the Company (but without prejudice to any allotments made pursuant to that authority), and subject to the passing of Resolution 5, the directors of the Company be generally empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in the Companies Act 2006) for cash under the authority conferred by Resolution 5 and/or pursuant to section 573 of the Companies Act 2006 to sell Ordinary Shares held by the Company as treasury shares as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such power to be limited to the allotment of equity securities and sale of treasury shares in connection with an offer of, or invitation to apply for, equity securities (but in the case of an authority granted under paragraph (ii) of Resolution 5, by way of a rights issue only):

   (i) to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their existing holdings; and

   (ii) to holders of other equity securities, as required by the rights of those securities, or as the directors of the Company otherwise consider necessary,

   and so that the directors of the Company may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

   (iii) in the case of the authority granted under paragraph (i) of Resolution 5 and/or in the case of any sale of treasury shares, to the allotment of equity securities or sale of treasury shares (otherwise than under Resolution 5 above) up to a nominal amount of £925.53,

   such authority to apply until 12 March 2022 unless previously renewed, varied or revoked by the Company in general meeting, but, in each case, during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the directors of the Company may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

By the order of the Board

Registered office:
4th Floor
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EN

Rachel Rickard
Company Secretary
16 December 2020

Notes:

Shareholder Participation

To be entitled to vote at the General Meeting (and for the purpose of the determination by the Company of the votes they may cast), Shareholders must be registered in the register of members of the Company at close of business on Friday 8 January 2021 (or, in the event of any adjournment, close of business on the date which is two working days before the time of the adjourned General Meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the General Meeting.

Any member attending the General Meeting has the right to ask questions relating to the business of the General Meeting in accordance with section 319A of the Companies Act 2006. The Company must cause to be answered any such question relating to the business being dealt with at the General Meeting but no such answer need be given if (i) to do so would involve the disclosure of confidential information, (ii) the answer has already been given on a website in the form of an answer to a question, or (iii) it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.

However, in view of current Covid-19 restrictions, **physical attendance in person at the General Meeting will not be possible**. Pursuant to Article 51 of the Company's Articles of Association, anyone seeking to attend the General Meeting will be refused entry in order to enable the Company to comply with the current restrictions and to ensure the safety of those employees attending the General Meeting.

We understand that the General Meeting is an opportunity for shareholders to ask questions of the Board in relation to the business of the General Meeting. We are keen to ensure that this dialogue continues, even though we face challenging external circumstances. The Company will therefore be accepting questions for the General Meeting via email (investor.relations@premier-oil.com) or, alternatively, we would be happy to receive written questions by post sent to our Registrar, Link Asset Services. The Company reserves the right to summarise and/or aggregate questions of a similar nature and responses given will be in relation to the business of the General Meeting only. Any questions to be put to the General Meeting should be submitted by the close of business on Friday 8 January 2021.

Given the restrictions on attending the General Meeting in person, your Board strongly encourages you to vote electronically or to vote by proxy. You can cast your vote online at **www.premier-oil-shares.com** or by post using the enclosed proxy card. Further details regarding proxy voting can be found below. In addition, to enable shareholders to listen to the General Meeting, a webcast facility will be available at **www.premier-oil.com**. Please note that the webcast will be 'listen only'; any questions for the General Meeting should be submitted in advance.

Furthermore, please note that if any legislation is introduced in response to the spread of Covid-19, the Company reserves the right to act upon legislative changes which may be relevant for the purpose of the General Meeting. To the extent the Company does act upon any such legislative changes, it will notify shareholders and the market by describing any arrangements on its Company's website and/or via an RNS announcement.

Poll

In order to comply with the Takeover Code, Resolution 2 will be taken on a poll of the Company's independent shareholders.

Appointing a proxy

Shareholders are entitled to vote at the General Meeting and may appoint the Chairman of the General Meeting as their proxy to exercise all or any of their rights to vote on their behalf at the General Meeting. A Shareholder may not appoint more than one proxy in relation to the General Meeting; only the Chairman of the General Meeting can be appointed as proxy.

The Articles of Association of the Company provide that:

(i) if a member appoints more than one proxy and the proxy forms appointing those proxies would give those proxies the apparent right to exercise votes on behalf of the member in a general meeting over more shares than are held by the member, then each of those proxy forms will be invalid and none of the proxies so appointed will be entitled to attend, speak or vote at the relevant general meeting; and

(ii) if a member submits more than one valid proxy appointment in respect of the same share, the appointment received last (regardless of its date or the date on which it is signed) before the latest time for the receipt of proxies will take precedence. If it is not possible to determine the order of receipt, none of the forms will be treated as valid.

A vote withheld is not a vote in law, which means that the vote will not be counted in the proportion of votes "for" and "against" a Resolution. Where a proxy has been appointed by a member, if such member does not give any instructions in relation to that Resolution that member should note that their proxy will have authority to vote on the Resolution as they think fit.

Any power of attorney or any other authority under which the form of proxy is signed (or a duly certified copy of such power or authority) must be included with the proxy form. In the case of a member which is a company, the form of proxy should either be sealed by that company or signed by someone authorised to sign it.

A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this Notice of General Meeting. If you do not have a Form of Proxy and believe that you should have one, or if you require additional forms, please contact Link Asset Services on +44 (0)371 664 0300 (calls to 0371 are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Lines are open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales).

To be valid, Forms of Proxy must be lodged by one of the following methods by 2 p.m. on Friday 8 January 2021:

(i) in hard copy form by post to the Company's Registrar at Link Asset Services, PXS 1, 34 Beckenham Road, Beckenham, BR3 4ZF;

(ii) in the case of CREST members or CREST Personal Members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below;

(iii) in the case of institutional investors you may utilise the Proxymity platform as set out below; or

(iv) by submitting your proxy appointment electronically via the internet. Instructions on how to do this can be found on the Form of Proxy.

CREST members

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual (available to members at www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Link Asset Services by 2 p.m. on Friday 8 January 2021.

For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which Premier's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member, or sponsored member, or has appointed a voting service provider, to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat an instruction as invalid in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Proxymity platform

If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 2 p.m. on Friday 8 January 2021 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

Nominated persons and information rights

Any person to whom this Notice of General Meeting is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to appoint the Chairman of the General Meeting as its proxy for the General Meeting.

If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights. However, the statement of the rights of Shareholders in relation to the appointment of proxies described above does not apply to Nominated Persons. The rights described in those sections can only be exercised by Shareholders.

Joint holders and corporate representatives

In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior). Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

Share capital

As at 14 December 2020 (the "**Latest Practicable Date**"), the Company's total issued share capital consisted of 925,532,676 Ordinary Shares, carrying one vote each. Therefore the total voting rights in the Company as at the Latest Practicable Date were 925,532,676. The Company does not currently hold any shares in treasury.

Queries and access to information

Except as provided above, Shareholders who have general queries about the General Meeting should use the following means of communication (no other methods of communication will be accepted): call the Link Asset Services' Shareholder Helpline on 0871 664 0300 (calls cost 12 pence per minute plus your phone company's access charge) or from outside the United Kingdom, please call +44 (0)371 664 0300 (calls outside the United Kingdom will be charged at the applicable international rate). Lines are open 9.00 a.m. to 5.30 p.m. Monday to Friday, excluding public holidays in England and Wales. You may not use any electronic address provided either: (i) in this Notice of General Meeting, or (ii) in any related documents (including the Letter from the Chairman contained within the Circular and Prospectus and the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

If you would like to request a copy of this Notice of General Meeting in an alternative format such as in large print or audio, please contact Link Asset Services, on 0871 664 0300.

A copy of this Notice of General Meeting, and other information required by section 311A of the Companies Act 2006, can be found at www.premier-oil.com/investors/shareholder-information.

Processing of personal data

The Company may process the personal data of attendees at the Meeting. This may include audio recordings as well as other forms of personal data. The Company shall process any such personal data in accordance with its Privacy Policy.