

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**If you are in any doubt about this document or the action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent adviser authorised under the Financial Services and Markets Act 2000.**

**If you have sold or otherwise transferred all of your ordinary shares in Afren plc, please forward this document, together with the accompanying documents as soon as possible to the purchaser or transferee, or to the stockbroker, bank manager or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.**

**Your attention is drawn to Afren plc's Annual Report and Accounts for the year ended 31 December 2010, a copy of which accompanies this document.**

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## **AFREN PLC**

(incorporated and registered in England and Wales under company number 5304498)



### **Notice of Annual General Meeting**

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Notice of the Annual General Meeting of the Company to be held at the offices of White & Case LLP, 5 Old Broad Street, London EC2N 1DW on 6 June 2011 at 11.00 a.m. is set out at the end of this document.

Shareholders are requested to complete and return the Form of Proxy enclosed with this document as soon as possible but in any event, to be valid, so as to be received by the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY no later than 11.00 a.m. on 2 June 2011.

The return of the Form of Proxy will not preclude a member from attending and voting at the Annual General Meeting in person should he or she subsequently decide to do so.

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**DIRECTORS, SECRETARY AND REGISTERED OFFICE OF  
AFREN PLC**

**Directors**

Egbert Imomoh	Chairman
Osman Shahenshah	Chief Executive Officer
Shahid Ullah	Chief Operating Officer
Darra Comyn	Finance Director
Ennio Sganzerla	Non-Executive Director
Peter Bingham	Non-Executive Director
John St. John	Non-Executive Director
Toby Hayward	Non-Executive Director

**Secretaries and Registered  
Office**

Shirin Johri  
Elekwachi Ukwu  
Kinnaird House  
1 Pall Mall East  
London SW1Y 5AU

## **LETTER FROM THE CHAIRMAN**

### **AFREN PLC**

(incorporated and registered in England and Wales under company number 5304498)

Registered office:  
Kinnaird House  
1 Pall Mall East  
London SW1Y 5AU

28 April 2011

Dear Shareholder,

#### **Annual General Meeting of Afren plc (the “Company”)**

I am pleased to be writing to you with details of our Annual General Meeting (“AGM”) which we are holding at the offices of White & Case LLP, 5 Old Broad Street, London EC2N 1DW at 11.00 a.m. on 6 June 2011. The notice convening the AGM is set out on page 7 of this document.

If you would like to vote on the resolutions but cannot attend the AGM, please complete the Form of Proxy enclosed with this document and return it to our registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, as soon as possible. They must receive it by no later than 11.00 a.m. on 2 June 2011.

Explanatory notes on all the business to be considered at this year’s AGM appear on pages 11 to 21 of this document. Resolutions 1 to 9 (inclusive) seek the necessary shareholder approvals by way of ordinary resolution and resolutions 10 to 12 (inclusive) seek the necessary shareholder approvals by way of special resolution.

In summary, the shareholder authority sought includes:

- authority to amend and implement revised rules of the Company’s employee share incentive plans;
- authority to establish and operate an employee benefit trust for the benefit of employees, to operate in conjunction with the Company’s employee share incentive plans;
- renewal of the Directors’ authority to allot unissued ordinary shares;

- renewal of the Directors' authority to issue ordinary shares, or transfer ordinary shares from treasury, on a pre-emptive basis;
- authority to make market purchases of ordinary shares; and
- authority for the Company to call a general meeting, other than an annual general meeting, on not less than 14 clear days' notice.

## **Recommendation**

The Directors consider that all the proposals to be considered at the AGM are in the best interests of the Company and its members as a whole and are most likely to promote the success of the Company for the benefit of its members as a whole. The Directors unanimously recommend that you vote in favour of all of the proposed resolutions, as they intend to do so in respect of their own beneficial shareholdings.

In relation to share incentive plans operated by the Company for the benefit of its directors and employees, the company has had constructive consultations with major shareholders on executive remuneration following our 2010 Annual General Meeting. There has been strong recognition by the Company that its remuneration policies and procedures could have been communicated more effectively to shareholders, with more clarity in relation to the link between reward and performance in the remuneration structure.

The Company took the decision in 2010 to review its overall remuneration policies. External professional advice has been obtained from a leading independent consultancy (MM&K) in relation to the remuneration review. As part of this process, the Company recognises the limitations of "unapproved" share plans and the advantages of HM Revenue & Customs "approved" plans. Accordingly, as part of the changes being proposed to the Afren plc 2005 Share Option Scheme and the Afren plc 2008 Performance Share Plan, the intention is to establish a Schedule to each plan under which "approved" options, which benefit from favourable tax and National Insurance treatment, may be granted to eligible employees.

Although we do not consider that there is any formal requirement for us to seek shareholder approval, we request, for the sake of transparency and continued goodwill, that shareholders approve the proposed amendments to the Afren plc 2005 Share Option Scheme and the Afren plc 2008 Performance Share Plan.

Copies of the rules of these two share incentive plans, incorporating the proposed amendments, will be available for inspection at the offices of White & Case LLP, 5 Old Broad Street, London EC2N 1DW during normal business hours up to and including the date of the AGM and during the AGM.

## **Action to be taken**

Shareholders will find enclosed with this document a Form of Proxy for use in connection with the AGM. Shareholders, whether or not they propose to attend the AGM in person, are requested to

complete, sign and return the enclosed Form of Proxy, in accordance with the instructions printed thereon, so as to be received by the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY as soon as possible and, in any event, by not later than 11.00 a.m. on 2 June 2011. Completion and return of the Form of Proxy will not preclude Shareholders from attending and voting at the AGM in person if they wish to do so.

Yours faithfully

**Mr Egbert Imomoh**

**Chairman**

## AFREN PLC

(incorporated and registered in England and Wales under company number 5304498)

### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Afren plc (the “**Company**”) will be held at the offices of White & Case LLP, 5 Old Broad Street, London EC2N 1DW at 11.00 a.m. on 6 June 2011 to consider and, if thought fit, pass the following resolutions, which, in the case of resolutions 1 to 9 will be proposed as ordinary resolutions and, in the case of resolutions 10 to 12, will be proposed as special resolutions.

1. THAT the financial statements for the year ended 31 December 2010, together with the reports of the Directors and auditors thereon, be received and adopted.
2. THAT the Directors’ Remuneration Report for the year ended 31 December 2010, together with the auditors’ report thereon, be approved.
3. THAT Osman Shahenshah be re-elected as a Director of the Company.
4. THAT Shahid Ullah be re-elected as a Director of the Company.
5. THAT Deloitte LLP be reappointed as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that the Directors be authorised to agree their remuneration.
6. THAT the proposed amendments to the Afren plc 2005 Share Option Scheme (the “**Share Option Scheme**”), the principal features of which are summarised in the explanatory notes to this Notice and the revised rules of which have been signed for the purposes of identification by the Chairman, be and are hereby approved and the Directors are hereby authorised to:
  - (a) do whatever they may consider necessary or expedient to carry the amendments into effect, including making such modifications as they may consider appropriate to (i) take account of the requirements of the UK Listing Authority and best practice; and (ii) secure approval by HM Revenue & Customs of the “approved” schedule to the rules under the provisions of Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003 (“**Schedule 4**”); and
  - (b) establish further plans for the benefit of employees outside the UK, based on the Share Option Scheme, but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such plans are treated as counting against the limits on individual and overall participation contained in the Share Option Scheme.
7. THAT the proposed amendments to the Afren plc 2008 Performance Share Plan (the “**Performance Share Plan**”), the principal features of which are summarised in the

explanatory notes to this Notice and the revised rules of which have been signed for the purposes of identification by the Chairman, be and are hereby approved and the Directors are hereby authorised to:

- (a) do whatever they may consider necessary or expedient to carry the amendments into effect, including making such modifications as they may consider appropriate to (i) take account of the requirements of the UK Listing Authority and best practice; and (ii) secure approval by HM Revenue & Customs of the “approved” schedule to the rules under the provisions of Schedule 4; and
  - (b) establish further plans for the benefit of employees outside the UK, based on the Performance Share Plan, but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such plans are treated as counting against the limits on individual and overall participation contained in the Performance Share Plan.
8. THAT the Afren plc Employee Benefit Trust (the “EBT”), the principal features of which are summarised in the explanatory notes to this Notice and the draft deed of which has been signed for the purposes of identification by the Chairman, be and is hereby approved and the Directors are hereby authorised to do all such acts and things as they may consider necessary or expedient to give effect to the implementation and operation of the EBT.
9. THAT the Directors be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 to exercise any power of the Company to allot and grant rights to subscribe for or to convert securities into shares of the Company:
- (a) up to a maximum nominal amount of £3,257,835.11; and
  - (b) comprising equity securities (as defined in the Companies Act 2006) up to a nominal amount of £6,522,518.53 including within such limit any shares and rights to subscribe for or convert any security into shares allotted under paragraph (a) above) in connection with an offer by way of a rights issue:
    - (i) to ordinary shareholders 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 otherwise consider necessary, and so that the Directors 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 other matter,

such authority to apply until the earlier of the conclusion of the Company’s next annual general meeting and the close of business on 30 June 2012 but, in each case, so that the



Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted or rights to subscribe for or convert securities into share to be granted after the authority ends and the Directors may allot shares or grant rights to subscribe for or convert securities into share under any such offer or agreement as if the authority had not ended.

### **SPECIAL RESOLUTIONS**

10. THAT conditional upon resolution 9 being passed, the Directors be given power pursuant to section 570 of the Companies Act 2006 to allot equity securities (within the meaning of Section 560 of the Companies Act 2006) for cash under the authority granted by such resolution, and/or where the allotment is treated as an allotment of equity securities under section 560(2)(b) of the Companies Act 2006 as if Section 561(1) of the Companies Act 2006 did not apply to any such allotment, such power to be limited:

- (a) to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under paragraph (b) of resolution 9, by way of a rights issue only):
  - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing shareholdings; and
  - (ii) to the holders of other equity securities, as required by the rights of those securities, or as the Directors otherwise consider necessary,

and so that the Directors 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 other matter; and

- (b) in the case of the authority granted under paragraph (a) of resolution 9 and/or in the case of a transfer of treasury shares which is treated as an allotment of equity securities under section 560(2)(b) of the Companies Act 2006, to the allotment (otherwise than under paragraph (a) of this resolution 10) of equity securities up to a nominal amount of £489,164.43

such authority to expire at the conclusion of the next annual general meeting or, if earlier, the close of business on 30 June 2012, unless previously renewed, varied or revoked by the Company, save that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Directors 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 ended.

11. THAT the Company be generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 to make one or more market purchases (within the meaning of section 693(4) of the Companies Act 2006) of ordinary shares of one penny each in the capital of the Company, subject to the following restrictions and provisions:
- (a) the maximum number of ordinary shares hereby authorised to be purchased is 97,832,886;
  - (b) the minimum price which may be paid for any such ordinary share is one penny per share;
  - (c) the maximum price, exclusive of expenses, which may be paid for any such ordinary share shall be the higher of (i) the amount equal to 105 per cent of the average of the closing middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the day on which the ordinary share is purchased and (ii) the amount stipulated by article 5(1) of the Buy-back and Stabilisation Regulations 2003 (in each case exclusive of expenses); and
  - (d) the authority hereby conferred shall, unless previously revoked or varied, expire at the conclusion of the next annual general meeting of the Company, or if earlier, the close of business on 30 June 2012 save in relation to purchases of ordinary shares the contract for which was concluded before the expiry of this authority and which will be executed wholly or partly after such expiry, where the Company may make a purchase of ordinary shares in pursuance of such contract.

All previous unutilised authorities for the Company to make market purchases of ordinary shares are revoked, except in relation to the purchase of shares under a contract or contracts concluded before the date of this resolution and where such purchase has not yet been executed.

12. That a general meeting of the Company, other than an annual general meeting of the Company, may be called on not less than 14 clear days' notice.

By Order of the Board

Elekwachi Ukwu  
Company Secretary  
Afren plc

28 April 2011

Registered Office:  
Afren plc  
Kinnaird House  
1 Pall Mall East  
London  
SW1Y 5AU

## **EXPLANATORY NOTES ON THE RESOLUTIONS**

**Resolutions 1 to 9 are ordinary resolutions and will be passed if more than 50 per cent. of the votes cast are in favour.**

### **Report and Accounts (Resolution 1)**

The Directors must present the Directors' report, the audited annual accounts of the Company and the independent auditor's report to the shareholders at the AGM.

### **Directors' Remuneration Report (Resolution 2)**

In line with legislation, this vote will be advisory and in respect of the overall remuneration package, and not specific to individual levels of remuneration. You can find the Remuneration Report on pages 75 to 82 of the 2010 Annual Report and Accounts which is available on the Company's website at [www.afren.com](http://www.afren.com).

### **Re-election and election of Directors (Resolutions 3 and 4)**

Resolutions 3 and 4 deal with the re-election of Osman Shahenshah and Shahid Ullah.

Under the Company's Articles of Association, all directors are required to retire and submit themselves for re-election every three years. Osman Shahenshah and Shahid Ullah will therefore retire and offer themselves for re-election. Brief biographical details on Osman Shahenshah and Shahid Ullah appear on page 60 of the 2010 Annual Report and Accounts and on the Company's website at [www.afren.com](http://www.afren.com).

### **Reappointment and remuneration of Auditors (Resolution 5)**

Resolution 5 proposes the reappointment of Deloitte LLP as Auditors of the Company and authorise the Directors to set their remuneration.

### **Authority to amend and implement revised rules of the employee share incentive plans (Resolutions 6 and 7)**

Resolutions 6 and 7 seek shareholders' approval to amend the Share Option Scheme and the Performance Share Plan as follows:

#### **1. Share Option Scheme – amendments**

The following sections summarize the principal changes which are being proposed to the rules of the Share Option Scheme. Such changes have been proposed following consultation with certain shareholders and are intended to bring the rules of the Share Option Scheme into line with accepted corporate governance principles and practice by companies with a premium listing on the London Stock Exchange.

##### *(i) Legislative and regulatory changes*

The rules of the Share Option Scheme are to be updated to take account of recent changes in the applicable legislation, and notably to reflect revised references pursuant to the Companies Act 2006 and the Income Tax Act 2007, together with changes to reflect the fact that the Company now has a premium listing on the London Stock Exchange.

(ii) *Market Value*

A new definition for “Market Value” is to be introduced to reflect the fact that shares under option now have a premium listing on the London Stock Exchange.

(iii) *Cash Alternative*

The revised rules of the Share Option Scheme are to include a provision that the Directors, at their discretion, may determine that following the exercise of an option optionholders will (a) not receive shares but instead receive a cash amount equivalent to the option gain; or (b) receive a number of shares equal in value to the option gain, subject in either case to applicable withholding of tax and social security contributions.

(iv) *Definition of "Retirement"*

Because of the UK Government’s recent decision to abolish the default retirement age, the current definition of “Retirement”, which refers to “the date on which an optionholder is normally expected to retire in accordance with that optionholder’s contract of employment”, will no longer be appropriate.

In addition, there is some risk that making Retirement one of the automatic “Good Leaver” circumstances would expose the Company to age discrimination claims. Our advisers have therefore recommended that Retirement should be removed from the definition of “Good Leaver” except for options granted under the Share Option Scheme which are “approved” for the purposes of Schedule 4. The consequence of this will be that when an optionholder retires the Directors will decide whether or not the option can be exercised, instead of exercise being automatic.

(v) *Individual limit*

A new provision is to be inserted which will limit the value of shares which can be subject to options granted to any individual in any financial year of the Company to 200% of the individual’s base salary, except in exceptional circumstances to recruit a top executive.

(vi) *Approved Schedule*

In order to take advantage of the beneficial income tax and National Insurance treatment available for “approved” options, we intend to introduce a UK approved Schedule in accordance with Schedule 4 (the “**Approved Schedule**”). Subject to prior approval with HMRC and continued compliance with Schedule 4, gains arising on the exercise of approved options will not normally be subject to income tax or commensurate employees’ or employer’s National Insurance liabilities in the UK.

(vii) *Amendments*

In line with general principles of good corporate governance, provisions in the rules of the Share Option Scheme governing eligibility requirements, the limitations on the number of ordinary shares which may be issued under the Share Option Scheme, individual limits, the principal terms governing the exercise of options, and the adjustments that may be made following a rights issue or any other variation in the share capital of the Company, may not be made to the material advantage of optionholders without approval of shareholders.

## 2. Share Option Scheme – summary features

The Share Option Scheme was established in 2005 to incentivise directors and staff, aid recruitment to the Company and enable directors and employees to share in the benefit from the increased market capitalisation of the Company. The Board has responsibility for supervising the Share Option Scheme and the grant of options under its rules. The Group's policy has been to grant options to employees on appointment or completion of their probationary period and periodically thereafter. It is intended that the Share Option Scheme will be gradually phased out as a general reward scheme and will in future be used mainly as a recruitment tool for senior staff. A summary of the rules appears below (which takes into account the proposed amendments set out above).

### (i) *Eligibility*

All individuals who are bona fide employees or executive directors of the Company or a subsidiary of the Company are eligible to participate in the Share Option Scheme.

### (ii) *Grant of Options*

The Company, the Directors, or a trustee, may grant an option to an eligible employee at any time. Options are personal to the eligible employee and are not capable of being transferred, assigned or charged.

The exercise price will be determined by the Directors in their absolute discretion but it may not be less than the market value of the Ordinary Shares on the grant date.

### (iii) *Vesting and Exercise of Options*

Options may vest on a specific date, the occurrence of a specific event or be conditional upon an achievement of a given performance condition. Vesting is typically 20% after one year, another 20% after two years and the remaining 60% after three years from the date of grant. Options may be exercisable in whole or part. However, the exercise of any option will not be permitted unless the Board is satisfied that all conditions relating to such exercise have been met.

An option will vest either on a date set out in an agreement with the optionholder or on a specified earlier date if the Company experiences a change of control. In the case of an optionholder's death, the relevant option may be exercised, to the extent it has already vested, by a personal representative of the deceased within twelve months of the optionholder's death, following which the option will lapse. If an optionholder ceases to be employed by a Group Company by reason of, inter alia, ill health, injury, disability, redundancy, or pregnancy or as a result of a transfer of business, that optionholder may exercise the option, to the extent it had already vested, during a period of twelve months following the date of cessation of employment, following which the option will lapse. Where an optionholder ceases to be employed by a Group Company for a reason not specified above, the option will normally lapse, except that the Board or trustee may in certain circumstances allow the option to be exercised during a period of 40 days (or such longer period as it specifies) following the date of cessation and the option will lapse at the end of this period.

To the extent that an option has not been exercised, it will normally lapse on the tenth anniversary of the date of grant.

(iv) *Issue of Shares*

Shares issued or transferred following the exercise of options will be Ordinary Shares in the capital of the Company. Alternatively, at the discretion of the Board, the Optionholder may be paid a cash amount equivalent to the excess of the market value of the Ordinary Shares on the date of exercise over the exercise price for the relevant number of shares.

(v) *Exchange of Options*

In the event of a change of control of the Company in certain circumstances, and with the agreement of the acquiring company, optionholders may exchange their options for options over shares in the acquiring company.

(vi) *Variation in Share Capital*

Options may be adjusted following certain variations in the share capital in the Company, including in the event of any capitalisation, rights issue, consolidation, subdivision, reduction or other variation of the share capital of the Company.

(vii) *Scheme Limits*

The maximum number of Ordinary Shares which can be placed under option for subscription under the Share Option Scheme on any date, when added to the number of Ordinary Shares allocated for subscription in the preceding 10 years under this or any other employees' share scheme adopted by the Company, must not exceed 12 per cent. of the Company's issued ordinary share capital immediately prior to that date.

The maximum value of shares which may be subject to options granted to any individual in any financial year of the Company is 200% of the individual's annual base salary, except in exceptional circumstances to recruit a top executive.

Under current legislation, the maximum value of Ordinary Shares which may be subject to "approved" options held by any individual is £30,000, taking the value at the grant date.

(viii) *Amendments*

The Board may amend the Share Option Scheme at any time. However, no changes to the persons to whom options may be granted, the limitations on the number of Ordinary Shares which may be issued, the individual limits on participation, the principal terms governing the exercise of options, and the adjustments that may be made following a variation in the share capital of the Company, can be made to the material advantage of optionholders without approval of shareholders in general meeting (other than minor amendments for the purpose of facilitating the administration of the Share Option Scheme or of obtaining or maintaining favourable tax treatment).

(ix) *Termination*

The Share Option Scheme will terminate on 28 June 2015, being 10 years from the date on which the Board adopted the Share Option Scheme. This termination will not prejudice any accrued rights in existence at the date of termination.

### 3. Performance Share Plan - amendments

The following sections summarize the principal changes which are proposed to the rules of the Performance Share Plan. Such changes have been proposed following consultation with certain shareholders and are intended to bring the rules of the Performance Share Plan into line with accepted corporate governance principles and practice by companies with a premium listing on the London Stock Exchange.

#### (i) *Legislative and regulatory changes*

The rules of the Performance Share Plan are to be updated to take account of recent changes in the applicable legislation, and notably to reflect revised references pursuant to the Companies Act 2006 and the Income Tax Act 2007, together with changes to reflect the fact that the Company now has a premium listing on the London Stock Exchange.

#### (ii) *Market Value*

A new definition for “Market Value” is to be introduced to reflect the fact that shares under award now have a premium listing on the London Stock Exchange.

#### (iii) *Nature of Awards*

The types of awards to be granted under the Performance Share Plan are to be extended to include a market value option, whereby the exercise price is not less than the market value of an ordinary share at the date of grant. The other types of award which may be granted under the Performance Share Plan will continue to comprise conditional share awards, nil cost options and nominal value options.

#### (iv) *Vesting in the event of a corporate event*

On the occurrence of a corporate event, including but not limited to a change of control or a compromise or arrangement sanctioned by the court, the proportion of the award that vests will first be calculated by reference to the extent to which any prevailing performance condition has been met and such proportion will then (unless determined otherwise by the Company’s remuneration committee in its absolute discretion) will be reduced pro-rata to reflect the period of time that has elapsed from the date of grant as a proportion of the period from the date of grant to the date when the award would have ordinarily vested in accordance with the rules of the Performance Share Plan.

#### (v) *Definition of "Retirement"*

We are proposing equivalent changes relating to “retirement” in the rules of the Performance Share Plan to those outlined above for the Share Option Scheme.

#### (vi) *Approved Schedule*

In order to take advantage of the beneficial income tax and National Insurance treatment available for “approved” options, we intend to introduce a UK approved Schedule in accordance with Schedule 4. Subject to prior approval with HMRC and continued compliance with the provisions of Schedule 4, gains arising on the exercise of approved options will not normally be subject to income tax or commensurate employees’ or employer’s National Insurance liabilities in the UK.

#### 4. Performance Share Plan – summary features

The Performance Share Plan was introduced during 2008. The Performance Share Plan permits awards relating to a number of Ordinary Shares to be granted to directors and staff.

The first awards under the Performance Share Plan were granted in June 2008 and will vest in June 2011 subject to meeting the performance criteria detailed below.

A summary of the rules of the Performance Share Plan appears below (which takes into account the proposed amendments set out above).

##### (i) *Eligibility*

Any employee or executive director of the Company or any subsidiary of the Company (other than any subsidiary which the Board has excluded for this purpose) is eligible to participate in the Performance Share Plan.

##### (ii) *Grant of Awards*

Awards are granted to eligible employees in the absolute discretion of the Board or a trustee of any employee benefit trust of which eligible employees are beneficiaries, as the case may be, who may impose a performance target and / or such other conditions on the vesting or exercise of the awards as it may determine. Awards may be granted in the form of a market value option, a conditional share award, or a nominal or nil value option or in such other form as has a substantially similar purpose or effect.

Awards are personal to the employee to whom they are granted and may not be assigned, transferred or charged in any way except with the consent of the Board or trustee, or in the event of the death of the employee.

The Performance Share Plan permits the Board or the trustee to determine at the date of grant that a conditional award or an option will be expressed as a right of the participant to receive a cash sum calculated by reference to a number of Ordinary Shares which, in the case of a conditional award, on vesting delivers an amount equal to the market value of the number of Ordinary Shares in respect of which the relevant award has vested or, in the case of an option, on exercise delivers an amount equal to the difference between the market value and the exercise price.

##### (iii) *Vesting of Awards*

Awards will ordinarily vest on the third anniversary of the date of grant, subject to the achievement of performance targets set at the date of grant. Any such target imposed must be assessed over a period of at least three financial years unless the Board or the trustee, as the case may be, determines otherwise.

Awards granted in 2008 gave directors and staff the conditional right to acquire Ordinary Shares subject to the Company outperforming a comparator group of similarly focused oil and gas exploration and production companies in terms of shareholder return over a three-year period. The full award will vest only if the Company has performed in the top quartile when compared against a selected peer group of upstream oil and gas companies. If the Company does not achieve at least median performance in the peer group, no part of the award will vest. At the median level, 30 per cent. of the award will vest and there is a sliding scale between median and top quartile performance where only a percentage of the total award will vest.



It is intended that the equivalent performance conditions will apply to all future awards under the Performance Share Plan.

If a participant ceases to hold office or employment with a Group member as a result of death, illness, injury, disability, redundancy, their company or undertaking leaving the Group or another reason at the discretion of the Board or trustee, a proportion of the award will vest calculated by reference to the extent to which the performance target has been satisfied at the date of cessation, other factors which the Remuneration Committee deems relevant and proportion of the normal vesting period which has elapsed.

(iv) *Exercise of Options*

If the award is in the form of an option, it may be exercised to the extent it has vested in whole or in part. An option may not be exercised at a time when such exercise would not be in accordance with the requirements of the Listing Rule or any other applicable laws or regulations.

(v) *Lapse of Awards*

Options lapse on the tenth anniversary of the date of grant or such other date as is specified by the Board or the trustee, as the case may be.

Awards lapse on the date of vesting to the extent to which they have not vested.

If the participant has ceased to hold office or employment with a Group member as a result of death, illness, injury or disability, redundancy, the sale of the business in which he works or another reason at the discretion of the Board or trustee, an option will lapse to the extent it has not been exercised within twelve months of such cessation.

If the participant has ceased to hold office or employment with a Group member for any other reason, an option which had already vested will lapse to the extent it has not been exercised within 40 days of such cessation (or such other period as the Board or trustee determines).

The awards will also lapse if the participant loses beneficial or legal ownership of the award, is declared bankrupt, or attempts to transfer or dispose of the award, and if the Company is compulsorily wound up.

(vi) *Takeover*

In the event of a change of control of the Company or other similar event, such as voluntary winding up, subsisting awards will vest on a pro-rata basis having regard to, inter alia, the extent to which the specified performance targets have been met, the performance of the Company and the conduct of the participant. Options will similarly vest and may be exercised for a period of four weeks following the change of control, or the making of an unconditional offer by the acquiring company, or other such similar event and will lapse to the extent that they have not been exercised within this period.

A participant may, with the agreement of the acquiring company, elect for his or her award to be released in consideration for grant of an equivalent award in the acquiring company.

(vii) *Variation in share capital*

The number of Ordinary Shares subject to an award can be adjusted in the event of any capitalisation issue, demerger, any offer or invitation made by way of rights issue, subdivision, consolidation, reduction, other variation in the share capital of the Company, or other such reason as the board or trustee may consider justifies an adjustment.

(viii) *Plan Limits*

No employee may be granted awards which would, at the time of grant, cause the market value of Ordinary Shares which the employee may acquire as a result of awards granted to him in any financial year of the Company to exceed 200% of the employee's base salary (except that the Remuneration Committee may decide to increase this limit to 300% in exceptional circumstances).

Further, an award may not be granted if it would result in the number of Ordinary Shares allocated during a period of ten years, under the Performance Share Plan or any other employee share plan, to exceed 12 per cent. of the Ordinary Share capital of the Company in issue at that time. For the purpose of this limit, no account will be taken of Ordinary Shares which are subject to awards which have lapsed or of awards which are satisfied by the transfer of existing Ordinary Shares or by payments of cash.

Under current legislation, the maximum value of Ordinary Shares which may be subject to "approved" options held by any individual is £30,000, taking the value at the grant date.

(ix) *Amendments*

The Board has the right to alter or amend any or all of the provisions of the Performance Share Plan at any time. The trustee's consent will be required if there are subsisting awards which it has granted, has agreed to satisfy or which will be affected by the alteration or addition.

No alteration, deletion or addition to the material advantage of participants can be made to the persons to whom awards may be granted, the limitations on the number of Ordinary Shares which may be issued, the individual participation limits, the principal terms governing the vesting of awards (and the exercise of options) or the adjustments for variations in share capital without the prior approval by ordinary resolution of the members of the Company in general meeting.

(x) *Termination*

The plan will terminate on 15 January 2018, the tenth anniversary of its approval by the Company, or at any earlier time as may be determined by the board of directors upon passing a resolution to that effect. Termination of the plan will not prejudice subsisting rights of employees.

**Authority to establish and operate an employee benefit trust for the benefit of employees  
(Resolution 8)**

The Company proposes to introduce the EBT which will be a discretionary employee benefit trust for the benefit of current and former employees and directors of the Company and other group companies, and their dependants.

The object of the EBT is to encourage and facilitate the holding of shares in the Company by or for the benefit of the beneficiaries. It is proposed that the trustee of the EBT will be a company which is

independent of and unrelated to the Company (the “Trustee”). It is intended that the Trustee will acquire shares in the Company (by purchase in the open market or by subscription). The Trustee will later transfer those shares to participants in the Company’s share incentive plans on the exercise of options and/or vesting of other awards. For these purposes, the Company may agree to provide the Trustee with funding in the form of loan or gifts. The EBT may not at any time hold more than five per cent of the issued ordinary share capital of the Company.

#### **Directors’ authority to allot securities (Resolution 9)**

The Company’s Directors may only allot ordinary shares or grants rights over ordinary shares if authorised to do so by shareholders. The authority granted at the last AGM under section 551 of the Companies Act 2006 to allot relevant securities is due to expire at the conclusion of this year’s AGM. Accordingly, this resolution seeks to renew such director’s general authority to allot shares (including treasury shares) in the Company or grant rights to subscribe for, or convert any security into, shares in the Company and will expire at the conclusion of the next annual general meeting of the Company held in 2012 or, if earlier, the close of business on 30 June 2012.

If passed, paragraph (a) of Resolution 9 would give the Directors authority to allot shares or grant rights to subscribe for, or convert any security into, shares in the Company up to an aggregate nominal value of £3,257,835.11 representing approximately one third (33.33 per cent) of the Company’s existing issued share capital (excluding shares held in treasury) and calculated as at 27 April 2011 (being the latest practicable date prior to publication of this notice). In accordance with the latest institutional guidelines issued by the Association of British Insurers (“ABI”), paragraph (b) of Resolution 9, if passed, would give the Directors authority to allot, including the shares referred to in paragraph (a) of Resolution 9, further of the Company’s shares in connection with a pre-emptive offer by way of a rights issue to shareholders up to a maximum nominal amount of £6,522,518.53, representing approximately two thirds (66.67 per cent) of the Company’s existing issued share capital (excluding shares held in treasury) and calculated as at 27 April 2011 (being the latest practicable date prior to publication of this notice).

There is no present intention of exercising this authority. However, it is considered prudent to maintain the flexibility that this authority provides. If they do exercise the authority, the Directors intend to follow emerging best practice as regards its use (including as regards the Directors standing for re-election in certain cases), as recommended by the ABI. As at 27 April 2011, the Company held no shares in treasury. The Company’s Directors intend to renew this authority annually.

**Resolutions 10 to 12 are special resolutions and will be passed if 75 per cent. of the voters cast are in favour.**

#### **Disapplication of pre-emption rights (Resolution 10)**

Under section 561(1) of the Companies Act 2006, if the Directors wish to allot any of the unissued shares or grant rights over shares or sell treasury shares for cash (other than pursuant to an employee share scheme) they must in the first instance offer them to existing shareholders in proportion to their holdings. There may be occasions, however, when the Directors will need the flexibility to finance business opportunities by the issue of shares without a pre-emptive offer to existing shareholders. This cannot be done under the Companies Act 2006 unless the shareholders have first waived their pre-emption rights. Resolution 10 seeks shareholders authority for this and, apart from rights issues or any other pre-emptive offer concerning equity securities, the authority will be limited to the issue of shares for cash up to a maximum aggregate nominal value of £489,164.43 (which includes the sale on a non-pre-emptive basis of any shares held in treasury), which is equivalent to approximately 5 per cent of the Company’s issued ordinary share capital as at 27 April 2011 (being the latest practicable date prior to publication of this notice). The Company undertakes to restrict its use of this authority to a maximum of 7.5 per cent of the Company’s issued ordinary share capital in any three year period.

Shareholders will note that this resolution also relates to treasury shares and will be proposed as a special resolution.

This resolution seeks a disapplication of the pre-emption rights on a rights issue so as to allow the Directors to make exclusions or such other arrangements as may be appropriate to resolve legal or practical problems which, for example, might arise with overseas shareholders. If given, the authority will expire at the conclusion of the next annual general meeting of the Company to be held in 2012 or, if earlier, the close of business on 30 June 2012. The Company's Directors intend to renew this authority annually.

#### **Authority to purchase own shares (Resolution 11)**

In certain circumstances it may be advantageous for the Company to purchase its own shares and Resolution 11 seeks authority from shareholders to continue to do so. Authority was given to the Company to make market purchases up to an aggregate of 89,040,503 of its ordinary shares at the AGM held on 7 June 2010 (being equal to approximately 10 per cent of the Company's issued ordinary share capital as at 25 April 2010, the latest practicable date prior to the publication of the notice for the AGM held on 7 June 2010). This authority is due to expire at the end of the AGM and it is proposed that the Company be authorised to continue to make market purchases up to an aggregate of approximately 10 per cent of the Company's issued ordinary share capital as further described below. The Directors will continue to exercise this power only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase earnings per share and will be likely to promote the success of the Company for the benefit of its members as a whole. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account when exercising this authority. Save to the extent purchased pursuant to the Companies Act 2006, any shares purchased in this way will be cancelled and the number of shares in issue will be reduced accordingly. The Company may hold in treasury any of its own shares that it purchases pursuant to the Companies Act 2006 and the authority conferred by this resolution. This gives the Company the ability to reissue treasury shares quickly and cost-effectively and provides the Company with greater flexibility in the management of its capital base. It also gives the Company the opportunity to satisfy employee share scheme awards with treasury shares.

The proposed authority would be limited to purchase of up to 97,832,886 ordinary shares which is equal to approximately 10 per cent of the Company's issued ordinary share capital as at 27 April 2011 (being the latest practicable date prior to publication of this notice). The resolution specifies the maximum and minimum prices at which the Company's shares may be bought.

For information, as at 27 April 2011 (being the latest practicable date prior to publication of this notice) there were outstanding 86,908,454 awards and options to subscribe for ordinary shares, representing 8.88% per cent of the Company's issued ordinary share capital (excluding treasury shares). If the new authority and the existing authority were exercised in full, the awards and options would represent 10.98% per cent of the Company's issued ordinary share capital (excluding treasury shares).

Resolution 11 will be proposed as a special resolution to provide the Company with the necessary authority. If given, this authority will expire at the conclusion of the next annual general meeting of the Company held in 2012 or, if earlier, the close of business on 30 June 2012.

The Directors intend to seek renewal of this power at subsequent AGMs.

**Authority to hold general meetings (other than annual general meetings) on 14 clear days' notice (Resolution 12)**

The changes made to the Companies Act 2006 by the Companies (Shareholders' Rights) Regulations 2009 (the "**Shareholders' Rights Regulations**") increase the notice period for general meetings of the Company to 21 days unless shareholders approve a shorter period (which they can do for all meetings apart from annual general meetings), which cannot however be less than 14 clear days. Prior to the coming into force of the Shareholders' Rights Regulations, the Company was able to call general meetings (other than annual general meeting) on 14 days' notice. In order to be able to preserve this ability, resolution 12, which will be proposed as a special resolution, seeks the necessary Shareholder authority to approve the calling of such meetings on 14 clear days' notice. This approval will be effective until the next annual general meeting, when it is intended that this authority will be further reviewed. In order to be able to convene a general meeting with such shorter 14 day notice period, the Company must also offer an electronic voting facility which is accessible to all its shareholders. The Company already provides the ability for shareholders to vote electronically.

It is intended that the shorter notice period would not be used as a matter of routine for such meetings, but only where the flexibility is merited by the business of the meeting and is thought to be in the interests of the shareholders as a whole.

## EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

### Entitlement to attend and vote

1. The right to attend and vote at the AGM is determined by reference to the register of members. Only those members registered on the Company's register of members at 6.00 p.m on 2 June 2011 (or, if the AGM is adjourned, at 6.00 p.m on the day two days prior to the adjourned AGM), shall be entitled to attend and vote at the AGM. 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 AGM.

### Publication of information in advance of AGM

2. A copy of this notice of annual general meeting and other information regarding the AGM, including information which the Company is required by section 311A of the Companies Act 2006 to publish in advance of the AGM, can be accessed at [www.afren.com](http://www.afren.com).

### Attending in person

3. If you wish to attend the AGM in person, you are requested to bring your admittance pass (which is attached to the Form of Proxy) with you to the meeting. On arrival at the AGM venue, all those entitled to vote will be required to register. In order to facilitate these arrangements, please arrive at the AGM venue in good time and have your admittance pass to hand. You will be given instructions on how to complete your poll card/vote on a show of hands at the meeting.

### Right to ask questions

4. At the AGM the Company must cause to be answered any question that a member attending the AGM asks relating to the business being dealt with at the AGM in accordance with section 319A of the Companies Act 2006. However, no such answer need be given where (a) answering the question would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the AGM that the question is answered.

### Appointment of proxies

5. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY.
6. To be valid, a duly completed proxy form, together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority, must be received by post or (during normal business hours only) by hand at the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or at the electronic address provided on the proxy form at [www.afren.com](http://www.afren.com), in each case no later than 11.00 a.m. on 2 June 2011 (or not less than 48 hours before the time fixed for any adjourned meeting, excluding any part of a day that is not a working day).

7. Appointment of a proxy does not preclude you from attending the AGM and voting in person. If you have appointed a proxy and attend the AGM in person, your proxy appointment will automatically be terminated.
8. Unless voting instructions are indicated on the proxy form, a proxy may vote or withhold his vote as he thinks fit on the resolutions or on any other business including amendments to resolutions) which may come before the meeting. A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes for or against a resolution.
9. A member must inform the Company in writing of any termination of the authority of a proxy.

#### **Electronic appointment of proxies**

10. As an alternative to completing the hard-copy proxy form, you can appoint a proxy electronically by logging onto [www.eproxyappointment.com](http://www.eproxyappointment.com). You will need to enter the Control Number, Shareholder Reference Number (SRN) and your PIN printed on the proxy form. Full details of the procedure are given on their website. For an electronic proxy appointment to be valid, your appointment must be received by Computershare Investor Services PLC no later than at least 48 hours before the AGM or any adjournment thereof.

#### **Appointment of proxies through CREST**

11. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. 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.
12. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a “**CREST Proxy Instruction**”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s (“EUI”) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer’s agent (ID 3RA50) no later than at 11.00 a.m. on 2 June 2011. 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 Applications Host) from which the issuer’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.
13. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. 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(s), to procure that his 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 service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
14. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

### **Corporate representatives**

15. 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.

### **Issued shares and total voting rights**

16. As at 5 p.m. on 27 April 2011, being the last day prior to publication of this notice, the Company's issued share capital comprised 978,328,864 ordinary shares of one penny each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5 p.m. on 27 April 2011 is 978,328,864.
17. The website referred to in note 2 will include information on the number of shares and voting rights.

### **Website publication of audit concerns**

18. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the annual general meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the annual general meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

### **Nominated persons**

19. Any person to whom this notice 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 be appointed (or to have someone else appointed) as a proxy for the AGM. 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.
20. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 5 and 6 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

### **Communication**

21. Except as provided above, members who have general queries about the AGM should use the following means of communication (no other methods of communication will be accepted) calling our shareholder helpline on 0870 889 3176.
22. You may not use any electronic address provided either in this AGM notice or any related documents (including the Chairman's letter and proxy form) to communicate for any purposes other than those expressly stated.



### **Inspection of Documents**

23. Copies of the following documents will be available for inspection at the offices of White & Case LLP, 5 Old Broad Street, London EC2N 1DW for at least 15 minutes prior to the AGM and during the AGM:
- (i) copies of the service contracts of executive Directors of the Company; and
  - (ii) copies of the letters of appointment of the non-executive Directors of the Company;
  - (iii) copies of the revised rules of the employee share incentive plans; and
  - (iv) The draft Employee Benefit Trust Deed.