Rule 2.33 **Form 2.17B**

2.17B

The Insolvency Act 1986

Statement of administrator's proposals

Name of Company	Company number
Afren Plc	05304498

In the	Court case number
High Court of Justice, Chancery Division, Companies Court	5206 of 2015

(a) Insert full name(s) and address(es) of administrator(s)

We

S J Appell
AlixPartners
10 Fleet Place
London
EC4M 7RB

D Imison
AlixPartners
10 Fleet Place
London
EC4M 7RB

C M Williamson
AlixPartners
The Zenith Building
26 Spring Gardens
Manchester
M2 1AB

*Delete as applicable

attach a copy of our proposals in respect of the administration of the above company

A copy of these proposals was sent to all known creditors on

23 September 2015

Signed CMW

Joint Administrator

Dated 23/09/15

Contact Details

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form

The contact information that you give will be visible to researchers of the public record

Jack Worthington
AlixPartners
The Zenith Building
26 Spring Gardens
Manchester
M2 1AB

+44 (0) 161 838 4500

DX Number

DX Exchange

FRIDAY

A4GNOQZT

A20 25/09/2015 #182

COMPANIES HOUSE

When you have completed and signed this form, please send it to the Registrar of Companies at -

Companies House, Crown Way, Cardiff CF14 3UZ DX 33050 Cardiff

Administrators' Statement of Proposals

Afren plc - in Administration

23 September 2015

AlixPartners
When it really matters.

Contents

Appendices

AlixPartners
The Zenith Building
26 Spring Gardens
Manchester M2 1AB

t +44 (0) 161 838 4500 f +44 (0) 161 838 4501

1 Why this report has been prepared

1 1 Simon Appell, Daniel Imison and Catherine Williamson (the **Administrators**) were appointed as administrators of Afren Plc (in administration) (the **Company**) on 31 July 2015

1 2 In accordance with UK insolvency legislation, administrators are required to make a statement setting out their proposals for achieving the statutory purpose of an administration This report and all appendices, covering the period 31 July 2015 to 18 September 2015 (the **Period**), form the Administrators' proposals

1 3 The purpose of this report is to provide statutory and financial information about the Company, the background to the Administration, the Administrators' proposed strategy, details regarding the Administrators' fees and the expected outcome for each class of creditor

1 4 In accordance with UK insolvency law an administrator of a company must perform their functions with a view to achieving one of the following statutory objectives

Objective 1	rescuing the company as a going concern,
Objective 2	achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration), or
Objective 3	realising property in order to make a distribution to one or more secured or preferential creditors

1 5 Having considered the Company's financial position the Administrators are pursuing the second statutory objective Further details as to why this is the appropriate objective and how they intend to achieved it can be found in section 4 of this report

1 6 The Administrators do intend to convene an initial meeting of creditors Further details on this matter can be found in section 8 of this report

1 7 More information relating to the Administration process, Administrators' fees and creditors' rights can be found on AlixPartners' creditor portal (**http://www alixpartnersinfoportal.com**) Log-in details to access this information can be found within the covering letter you have received

1 8 If you require a hard copy of this report or have any queries in relation to its contents, or the Administration generally, please contact the Afren Plc helpline on 0161 838 4536, by email to **afren@alixpartners.com**, or write to AlixPartners' office at The Zenith Building, 26 Spring Gardens, Manchester M2 1AB

2 Summary of information for creditors

Summary of creditor position

Description	Estimated debt $
Secured creditors	
Wilmington Trust (London) Limited (**Wilmington**) as security trustee for the private placement notes (the **Bridge Securities**)	$217 million
Deutsche Bank AG, Citibank Nigeria Limited, Natixis and BNP Paribas (on behalf of the Ebok Lenders) under the Ebok Facility (a)	$300 million
Total secured creditors	**$517 million**
Preferential creditors (b)	$0 8 million
Unsecured creditors of the Company with access to security elsewhere in the Group (c)	
Okwok Facility/OML 113 Facility	$50 million
Senior Secured Loan Notes 2016	$253 million
Senior Secured Loan Notes 2019	$250 million
Senior Secured Loan Notes 2020	$360 million
Total unsecured creditors of the Company with access to security elsewhere in the Group	**$913 million**
Unsecured creditors	$284 million
Total unsecured creditors	**$1,197 million**
Total liabilities	**$1,714 8 million**

(a) the extent of the indebtedness covered by this security is under review
(b) £0 5 million translated at a rate of 1 561 USD GBP
(c) the Group as defined at paragraph 3 3

Notes:

Throughout this report, the currencies referred to are USD$ and GBP£

The estimated debts have been taken from the directors' Statement of Affairs (**SofA**) as detailed at Appendix D

2 1 Due to the uncertainty of the overall recovery prospects, the likely level of return to creditors (both secured and unsecured) of the Company cannot be determined at this stage

Secured creditors

Bridge Securities

2 2 On 30 April 2015, the Company entered into a Note Purchase Agreement (the **NPA**) with certain holders of the Company's existing notes and their respective affiliates to provide $200 million in net interim funding in the form of senior secured Bridge Securities The Bridge Securities issued pursuant to the NPA were issued at an original issue discount of 94 5% Notes with a face value of $211 6 million were issued in return for cash proceeds of $200 million The Bridge Securities have a tenor of 360 days At the date of the Administrators' appointment, the principal amount outstanding in respect of the Bridge Securities was approximately $217 million

Ebok Facility

2 3 In March 2010, Afren Resources Limited (**ARL**), as borrower, and the Company as guarantor, entered into a facility with a term of up to five years (the **Original Ebok Facility**) The Original Ebok Facility was available for the development of the Ebok Field offshore Southeast Nigeria

2 4 On 22 March 2013, the Original Ebok Facility was amended and restated to provide for a facility of up to $300 million and a letter of credit facility until April 2016 The amended and restated Ebok Facility (the **Ebok Facility**) was used (a) to effectively refinance the Original Ebok Facility, (b) to pay interest, fees, costs and expenses under the Ebok Facility (c) to fund ongoing capital expenditure in respect of the Ebok field and (d) for general corporate purposes At the date of the Administrators' appointment, the Ebok Facility was fully drawn

2 5 Further information in relation to the Ebok Facility can be found at section 6 6

Unsecured creditors of the Company with access to security elsewhere in the Group

Okwok Facility

2 6 On 30 September 2014, Afren Exploration & Petroleum Nigeria Alpha Limited (**AEPNA**), as borrower, and the Company and FHN 113 Limited, as guarantors, entered into a bridge loan facility of up to $100 million with Access Bank, as lender (the **Okwok/OML 113 Facility**) The purpose of this was the financing of capital and operating expenditure for the development plans and work programmes in relation to the Okwok and Aje fields At the date of the Administrators' appointment, approximately $50 million of the Okwok/OML 113 Facility was outstanding

Senior Secured Loan Notes 2016

2 7 On 3 February 2011, the Company issued $450 million of its 11 ½% senior secured notes due 1 February 2016 (the **Original 2016 Notes**) and subsequently issued a further $50 million of senior secured notes (the **Additional 2016 Notes**, together with the Original 2016 Notes, the **2016 Notes**) The 2016 Notes offering was used to repay certain existing borrowings In December 2013, the Company repurchased $246 6 million of the 2016 Notes, funded by the issue of 2020 Notes At the date of the Administrators' appointment, the principal amount outstanding in respect of the 2016 Notes was $253 4 million

Senior Secured Loan Notes 2019

2 8 On 8 March 2012, the Company issued $300 million aggregate principal amount of its 10 ¼% senior secured notes due 8 April 2019 (the **2019 Notes**) A portion of the proceeds of the 2019 Notes offering was used to repay borrowings In December 2013, the Company repurchased $50 million of the 2019 Notes, funded by the issue of $360 million aggregate principal amount of 6⅝% senior secured notes due 9 December 2020 (the **2020 Notes**) At the date of the Administrators' appointment, the principal amount outstanding in respect of the 2019 Notes was $250 million

Senior Secured Loan Notes 2020

2 9 On 9 December 2013, the Company issued the 2020 Notes (together with the 2016 Notes and the 2019 Notes, the **Existing Notes**) A portion of the proceeds of the 2020 Notes offering was used to redeem $246 6 million and $50 million of the 2016 Notes and the 2019 Notes, respectively At the date of the Administrators' appointment, the principal amount outstanding in respect of the 2020 Notes was $360 million

Security and priority

2 10 The order of priority of the above debts over the assets of the Company is as follows

- As security for its obligations under the Bridge Securities, the Company granted Wilmington (as Note Security Trustee for the holders of the Bridge Securities) first ranking fixed and floating charges over all of the assets of the Company
- The Company has also granted security over certain hedging agreements and a related hedging bank account to secure its guarantee obligations under the Ebok Facility
- The Company has not granted security for its obligations under the Existing Notes However, the Existing Notes are secured by guarantees and senior priority liens (including liens over shares) granted by certain subsidiaries in respect of assets relating to the Okoro and Setu fields, and by subordinated guarantees and liens (including liens over shares) granted by certain subsidiaries in respect of assets relating to the Ebok field

Intercreditor agreements

2 11 The Company is party to four intercreditor agreements which regulate the priority of payment and security in respect of its borrowing and guarantee obligations and the guarantees and security provided by certain of its subsidiaries in respect of the Existing Notes, the Ebok Facility and the Bridge Securities

- the Existing Notes/Ebok Intercreditor Agreement dated 3 February 2011 provides, inter alia, that the security for the Existing Notes over the shares in ARL and ARL's assets and the guarantee of the Existing Notes given by ARL are subordinated to the security for the Ebok Facility over the shares in ARL and ARL's assets and ARL's liability as borrower under the Ebok Facility,
- the Additional Ebok Intercreditor Agreement dated 30 April 2015 provides, inter alia, that the security for the Existing Notes over the shares in ARL and constituted by ARL's assets and the guarantee of the Existing Notes given by ARL are subordinated to the security for the Bridge Securities over the shares in ARL and ARL's assets and ARL's liability as guarantor of the Bridge Securities,
- the Pari Passu Intercreditor Agreement dated 9 December 2013 provides, inter alia, that the Existing Notes and any pari passu indebtedness (which includes the Bridge Securities) rank equally in point of payment and priority of security with respect to the shared security (over the Okoro-related assets) that has been granted in respect of both the Existing Notes and any pari passu indebtedness (which includes the Bridge Securities), and
- The Bridge Securities/Ebok Intercreditor Agreement dated 30 April 2015 provides, inter alia, that with respect to the security over the shares in ARL and the other security over the assets of ARL (and over certain accounts of the Company) the Bridge Securities rank ahead of the Ebok Facility in priority of payment and security

2 12 At present the only funds available to the Administrators are secured in favour of the holders of the Bridge Securities However, the holders of the Bridge Securities have made these funds available to the Administrators to pursue their stated strategy The ultimate level of return to the Company's creditors via this strategy is uncertain at present and is largely dependent on the realisable amount of the Company's interests in its operating subsidiaries and other realisations achieved during the Administration

2 13 As detailed above the Company's secured lenders have the benefit of various security instruments elsewhere in the Group, as is normal in groups of this size and complexity Whilst secured realisations achieved with respect to other group entities may not flow back to the Company, they will however, reduce the liabilities of the Company

2 14 Further information on the Company's secured liabilities is provided at section 6 and Appendix C

Preferential creditors

2 15 There are expected to be preferential creditor claims in respect of accrued holiday pay due to employees that have been made redundant These claims are still being assessed but are estimated to be approximately £0 5 million There will be sufficient funds available to discharge the claims of preferential creditors in full

Unsecured creditors

2 16 The Administrators are required to create a fund to be set aside for the benefit of unsecured creditors Given the estimated value of the Company's net property upon appointment, the Administrators have set aside the maximum fund of £0 6 million The directors' SofA shows that there are unsecured creditor claims of $284 million

2 17 In respect of preferential or unsecured creditors, UK insolvency legislation stipulates that creditors of the same class should be treated equally Hence the funds available for distribution are split on a pro-rata basis amongst all creditors of each class, regardless of the size of their claims

2 18 Further information is provided in section 6 of this report

Ranking in insolvency

2 19 As prescribed by UK insolvency legislation, the creditors and shareholders of the Company will be paid in the following order of priority

- holders of fixed charges will receive the amount realised from the assets subject to those fixed charges (net of the costs of realising the assets),
- the expenses of the Administration,
- preferential debts (primarily limited to amounts due to employees),
- the prescribed part, which is set aside (up to a maximum of £0 6 million) for unsecured creditors from floating charge realisations,
- holders of floating charges will receive the amount realised from the assets subject to those floating charges,
- unsecured creditors, and
- any surplus to shareholders

3 Background and circumstances leading to the Administration

Background

3 1 The Company was incorporated on 3 December 2004 in England Together with its subsidiaries, the Company traded as an independent upstream oil and gas exploration and production company, with operations organised into three geographical regions, Nigeria, West & South Africa, Eastern Africa, and the Kurdistan region of Iraq The Company's activities span the full cycle of oil and gas exploration, appraisal and development, through to production and delivery

3 2 The Company's shares were admitted to trade on the Main Market of the London Stock Exchange (**LSE**) and were part of the FTSE 250

3 3 The Company is the ultimate holding company of the Afren Group A group structure chart of the Company and its major subsidiaries (the **Group**) is attached at Appendix B The Group employed approximately 300 members of staff and engaged over 150 additional sub-contractors at any one time At the date of the Administrators' appointment, the Company had 66 employees, the majority of whom were based at the Company's leased head office premises at Kinnaird House, 1 Pall Mall East, London SW1Y 5AU (**Head Office**)

Summary of operations

3 4 The Company generates income from its core portfolio of gas and oil producing assets, which comprise interests in three oil fields located in Nigeria, known as Ebok, Okoro-Setu and OML 26, all of which are held by Nigerian joint-venture subsidiary companies

3 5 In addition to oil production, the Company also sought to grow by identifying additional opportunities at an early stage, focusing on areas which may have been overlooked, under-developed or out of reach to larger companies As at the date of the Administrators' appointment, the Company had further development or exploration interests in Nigeria, Kenya, Tanzania, Ethiopia, Seychelles, Madagascar, Côte d'Ivoire, Ghana, Congo Brazzaville, South Africa and the Kurdistan region of Iraq

3 6 A summary of operations in each of the three regions is provided at section 4

Circumstances leading to the Administration

3 7 The Company's recent operational challenges and financial performance should be considered in the context of the macroeconomic environment

3 8 Moderate increases in oil consumption in developing economies were partly off-set by continued decreases in western economies, where historically high oil prices have incentivised greater efficiencies of use and alternative technological solutions to meet fuel demand Demand for oil in key consuming economies such as China and India was further constrained by changes to fuel pricing policies, deregulation and increased taxes, all of which increased the cost to the consumer

3 9 At the same time, production and supply remained robust over the same period as key suppliers sustained high levels of production

3 10 The price of crude oil fell markedly in the second half of 2014 which had a direct negative impact on the Company's ability to generate cash

3 11 As the price of crude oil fell rapidly, the Company also faced significant operational and managerial challenges

Operational challenges

3 12 In 2014, the Group's net production fell by 32% on an annualised basis The fall in production was principally due to delays in extending production at the key Ebok site and changing economic entitlement following completion of cost recovery The Company and Oriental Energy Resources Limited (**Oriental**), its joint venture partner at the Ebok field, implemented a programme of expansion involving significant capital expenditure, which was due to off-set the natural decline in production from the existing wells However, the programme encountered significant technical challenges and contractual delays which culminated in a period of unplanned downtime in September 2014

3 13 Production at the Okoro-Setu field ran smoothly during 2014, however, planned re-engineering works resulted in downtime at the site early in that year Overall, the production from the field declined by 9% year-on-year

3 14 Output from the two active sites at the OML 26 field also failed to reach anticipated levels due to delays in implementing necessary improvement works, pipeline sabotage and safety concerns associated with its operations

3 15 As production from the core producing assets fell below expectations, capital expenditure on speculative exploration and development activities stretched funding further The Company continued its commitment to work programmes comprising seismic surveys, drilling and well testing, and the associated licensing and contractual negotiations, across its sites in Africa

3 16 At the end of 2014, the Company announced that the updated Competent Person's Report of Barda Rash, an onshore area of exploration in the Kurdistan region of Iraq, was expected to result in the material restatement of reserves and resources at the site The reserve movement at Barda Rash, combined with the impact of lower oil prices on producing assets, resulted in a material impairment charge in 2014 in respect of the reserves relating to production and development assets The material impairment charge in the year was $933 million

3 17 In addition to the material impairment charge above, the Company recognised further impairment charges of $273 million as a result of a review of the carrying value of its assets at lower commodity prices, $839 million in respect of exploration write-offs and $115 million of goodwill write-offs

Managerial issues

3 18 In July 2014, the Company announced that an independent review conducted on the board's behalf by Willkie Farr and Gallagher (UK) LLP (**WFG**) had identified that payments had been made to certain of the Company's executives without the appropriate authorisation

3 19 As a result of the findings of the report, the Company initially suspended and subsequently dismissed its CEO, COO and two associate directors An interim Executive Chairman and CEO were appointed to oversee the business whilst the findings of the report were addressed The report by WFG also resulted in the Company reassessing certain accounting judgements made in the prior year, with the Company's financial statements being restated as at 31 December 2013 The Company's auditors qualified the Company's interim accounts for the first half of 2014 and the Company provided the conclusions of the WFG's report to the Financial Conduct Authority and the Serious Fraud Office

3 20 Further information on the Administrators' intentions with regard to the transactions entered into by the Company in the period prior to appointment is provided at section 4

Financial position and capital restructuring

3 21 The sharp decline in oil prices and the operational challenges outlined above, negatively impacted the Group's ability to generate cash and placed significant pressure on the Group's liquidity and an immediate funding need was identified

3 22 The Group recorded a loss before tax for the year ended 31 December 2014 of $1,955 million, with net liabilities of $459 million In January 2015, the Company deferred amortisation and interest payments to its creditors, totaling $65 million, whilst it reviewed its capital structure and funding alternatives

3 23 In January 2015, the Company engaged Alvarez & Marsal as Chief Restructuring Officer and Morgan Stanley as financial advisor to assist in the restructuring process with the Group's creditors

3 24 The Company reviewed its business plan with the aim of minimising its non-core activities and focusing on its core producing assets in Nigeria The Company announced on 27 January 2015 that there was a significant equity funding requirement in excess of its current market capitalisation and noted that new funds would be required to meet current and future interest and principal repayments, working capital and a reduced capital expenditure programme

3 25 As the Company's management sought to restructure its capital structure and funding position, the Group's operations continued The core producing assets generated revenue of $130 million in the first quarter of 2015 compared to $269 million over the same period in 2014 The fall in revenue was primarily due to lower realised oil prices The quantum of production liftings from Ebok were also lower as some additional liftings were utilised to settle a Net Profit Interest liability payable to previous owners of the Ebok field

3 26 This fall in revenue, together with higher administrative costs incurred as a result of the Group's recapitalisation, and the write-off of expenditure on certain exploration and evaluation assets, resulted in a loss before tax of $48 1 million in the first quarter of 2015

3 27 On 30 January 2015, the Company announced that it had obtained deferral of a $50 million amortisation payment due on the Ebok Facility on 31 January 2015 until 27 February 2015, and had decided to utilise a 30 day grace period under the 2016 Notes with respect to $15 million of interest due on 1 February 2015, while the review of the capital structure and funding alternatives was completed

3 28 Restructuring discussions continued with the Company's creditors during February, March and April 2015 On 13 March 2015, the Company announced that it had reached an agreement in principle with certain holders of the Existing Notes and the majority of the lenders under the Ebok Facility (the **Ebok Lenders**), regarding the key terms of a proposed interim funding and long-term recapitalisation of the Group (the **Restructuring**) The Restructuring involved the following elements

- the issue by the Company of the Bridge Securities to, among others, certain holders of its Existing Notes pursuant to the NPA,
- the subsequent entry by the Company into a scheme of arrangement in respect of the Existing Notes (the **Afren Scheme**) which would involve issuing new notes, the proceeds of which would be applied in partial repayment of the Bridge Securities with the balance applied towards the working capital requirements of the Group, releasing debt with respect to certain of the Existing Notes in exchange for the issue of ordinary shares in the Company and releasing the remainder of the Existing Notes in exchange for new notes,
- the issuance by the Company of new ordinary shares by way of open offer, and

- amending the terms, and extending the maturity date, of the Ebok Facility The final proposal for the Restructuring also involved amending the terms of, and extending the maturity date, of the Okwok/OML 113 Facility

3 29 On 30 April 2015, the Company announced that it had entered into the NPA and had issued the Bridge Securities in a principal amount of approximately $211 6 million The Company also announced that it had appointed Mr Alan Linn as CEO

3 30 By June 2015, the Company had announced further details of the Afren Scheme and an Open Offer Prospectus was published The Company convened a general meeting of its shareholders to approve the Restructuring to be held on 24 July 2015 On 30 June 2015, the High Court approved the convening of a meeting of Scheme creditors, intended to be held on 29 July 2015 The sanction hearing for the proposed Afren Scheme was intended to take place on 30 July 2015, with an expected completion date for the Restructuring of 24 August 2015

3 31 However, on 15 July 2015 the Company announced that following a further review of the business plan the expected level of near-term production was likely to be materially lower compared to the assumptions announced alongside the proposed restructuring in March 2015 The directors estimated that the level of funding which the Group required was approximately $250 million greater than that contemplated under the terms of the Restructuring

3 32 During the week commencing 20 July 2015, the Company requested that the holders of the Existing Notes, the holders of the Bridge Securities and the Ebok Lenders provide additional funds but this request was not met On 21 July 2015, the Company announced that it was adjourning the general meeting (scheduled for 24 July 2015, to approve the open offer and share issuance) and the scheme meeting (scheduled for 29 July 2015) On 27 July 2015, the Company announced that the general meeting had been adjourned indefinitely

3 33 Further details of the Company's financial position can be found in section 5

Appointment of the Administrators

3 34 In light of the Company's financial position, AlixPartners was engaged on 23 July 2015 to update its contingency planning work undertaken earlier in the year and to prepare for a potential appointment as Administrators

3 35 The discussions with the Company's creditors did not result in a revised refinancing or restructuring proposal that would enable the Company to pay its debts as they fell due After taking legal and financial advice as to the Company's options and having regard to the Company's financial position, the directors considered it appropriate to take all nessesary steps to appoint Administrators of the Company on 31 July 2015 Simon Appell, Daniel Imison and Catherine Williamson were appointed as Administrators of the Company and the appointment took effect at 16 21 on the same day

3 36 On 21 September 2015 the Administrators applied to the English court for directions following a query that had been raised in relation to the validity of their appointment Under paragraphs 27 and 29 of the Insolvency Act 1986, in making an administration application out of court, the directors of a company are required to make certain statutory declarations in the presence of an independent commissioner for oaths In this case, the requisite statutory declarations were sworn in the presence of a solicitor from White and Case, who were at the time solicitors to the Company On 22 September 2015, Mr Justice Nugee held that, whilst the relevant solicitor from White and Case could not be regarded as independent in this case, this amounted to a procedural defect that did not invalidate the appointment itself and that, as a result, the Administrators had been validly appointed on 31 July 2015, notwithstanding this procedural defect Mr Justice Nugee also ordered that the costs of the application be paid as an expense of the Company's administration

3 37 As the application for directions was made on an urgent basis without notice to all creditors of the company, Mr Justice Nugee also ordered the procedural defect be brought to the attention of all creditors in these proposals and that any creditor be given liberty to apply to court within 28 days of the date of these proposals to make any representation with respect to the costs order and/or seek relief under rule 7 55 of the Insolvency Rules 1986

4 The Administration strategy and objectives

Proposed strategy

4 1 It is proposed that the Administrators continue to manage the affairs of the Company in order to achieve the objective of the Administration

4 2 The first objective under the Administration regime is based on the survival of the Company through a Company Voluntary Arrangement (**CVA**) or Scheme of Arrangement under part 26 of the Companies Act 2006 (**Scheme**) However, the Administrators consider this objective to be unachievable in light of the following

- the Company's unsuccessful attempt to restructure its liabilities via the proposed Afren Scheme detailed in 3 28, following the revision of the Company's business plan,
- the Company's unsuccessful attempt to secure the nessesary additional funding to support the revised business plan and address the severe and immediate liquidity issues, and
- any going concern rescue of the Company would require the Group's outstanding liabilities of approximately $1,714 8 million to be addressed, in addition to the significant funding required to support ongoing operations

4 3 The Administrators are, therefore, pursuing the second objective of an Administration to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration) This will be through seeking to affect a sale of the Group's assets via an M&A process as detailed at paragraph 4 46

4 4 In the event that the proposed objective cannot be achieved, the Administrators will pursue the third objective and realise property in order to make a distribution to one or more secured or preferential creditors

Continued trading and support of Group assets

4 5 Many of the companies in the Group are reliant upon the Company for the provision of central functions and/or funding With limited funds available, the Administrators are unable to fund all of the assets/investments within the Group on a continued basis

4 6 The Administrators' overall strategy is focused on realising value for the creditors of the Company – either directly from realisations in the Company or via supporting investments and/or subsidiaries elsewhere in the Group that will result in repayment to the creditors of the Company and reduce the level of the overall creditor claims against the Company

4 7 The Administrators are working in close co-operation with the Company's senior management team and the local subsidiaries to seek to implement this strategy as effectively as possible

4 8 The Administrators have specifically set aside funds for the prescribed part and preferential creditors to ensure that there is no prejudice to those creditor groups This is detailed further in section 6

Summary of assets

Nigeria

4 9 As previously noted, the Group's three core assets in Nigeria are its interests in the Ebok, Okoro-Setu and OML 26 fields, which together constitute the Group's producing resources The Group is also engaged in exploration, appraisal and development at other sites in the country as detailed in section 3 An overview of the key assets and the Administrators' strategy for these is provided below It should be noted that the Administrators are still at an early stage of the Administration and the strategy for each asset is subject to ongoing review

Ebok

4 10 Ebok is a producing oil field located 50km offshore in 135ft of water, in Nigeria's south eastern producing area The Group's interest in the Ebok field is held via ARL (a Nigerian incorporated company) and comprises a 50% economic interest with its joint venture partner, Oriental

4 11 The Group has been involved in continual field development at Ebok and, together with Oriental, completed drilling campaigns which brought three additional wells on stream in 2014

Ebok field transition to Oriental

- An Ebok field Transition Plan (the **Transition Plan**) was agreed between Oriental and the management of ARL prior to the Administrators' appointment
- In broad terms, the Transition Plan provided for the temporary allocation of responsibility for the Ebok field operations from ARL to Oriental, although ARL would continue to retain a legal and economic interest in the asset Following the appointment of the Administrators, Oriental assumed responsibility of ongoing capital expenditure in the field, whilst the Company continued to support the general and administrative and staff costs after local funds in ARL were exhausted
- The employment contracts of certain staff associated with Ebok were transferred to Oriental by ARL on 11 September 2015, thereby giving Oriental full operational control and responsibility of the Ebok field
- Through entering the Transition Plan the Company was able to minimise its ongoing funding requirement for the asset, as well as limit its exposure to future liabilities
- The Transition Plan also provides a platform for an M&A process to be conducted and, in parallel, for commercial negotiations with Oriental to take place This is important to help maximise the value obtained for the Group's interest in the Ebok field

Okoro-Setu (**Okoro**)

4 12 The Okoro and Setu oil fields are located in shallow water off the coast of Nigeria The Group owns an economic interest of 50% via Afren Energy Resources Limited (**AERL**, a Nigerian incorporated entity) and operates the fields together with the owner and local partner, Amni International Petroleum Development Company Limited (**Amni**)

4 13 The group's economic interest pertains to its legal rights under a Production Sharing and Technical Services Agreement (**PSTSA**) and a number of operational agreements with Amni

4 14 The PSTSA is an agreement whereby the rights and entitlement of AERL, Afren Okoro Limited and Amni in relation to revenue generation and joint assets are set-out In exchange for being the Technical Services Provider to the field and leading the operations, Afren is entitled to 50% of the oil production

4 15 The Administrators have engaged with Amni to assess whether they would be willing to co-operate and approve a transfer of AERL's rights under the PSTSA to a third party Amni have indicated that they would be unwilling to provide approval for a third-party sale of the Group's interest in the PSTSA and have instead offered to purchase AERL's economic interest

4 16 The Group has obligations to fund a share of the operating expenditure and the Company continues to provide certain central functions in support of this asset of the fields whilst exploring with key stakeholders the options for future funding In the immediate term, Amni have provided a short term contribution to certain central costs of $1 5 million which is shown in the receipts and payments accounts at Appendix E This has contributed toward providing the required operational stability to enable a sales process of the Group's interest in this asset This is detailed further at section 4 46

Okwok

4 17 The Group has a working interest in Okwok via Afren Exploration & Production Nigeria Alpha Limited (a Nigerian incorporated company).

4 18 This is an undeveloped oil field 50km offshore in 132ft of water close to the Ebok development The Group shares its interest in the site with Oriental The site remains at the appraisal and development stage although significant capital expenditure has been incurred in drilling and testing the field to date

4 19 This site is also included in the sales process that has been initiated and is detailed at section 4 46

OML 26

4 20 OML 26 is located onshore in Delta State in Nigeria and covers 480sqkm The block has two producing oil fields, known as Ogini and Isoko

4 21 The Company owns approximately a 43 1% share of First Hydrocarbon Nigeria Company Limited (**FHN**) via a wholly owned subsidiary In addition, a further 34 9% is held in trust for the benefit of the Group and certain of the Group's Nigerian employees by Adcax Investments Limited FHN owns a 45% working interest in each of the five prospects within the OML 26 asset, via FHN 26 Limited (**FHN26**) 8% of the Group's interest in FHN is secured against deferred payments it is required to make during the second half of 2015 regarding the purchase of the interest in FHN

4 22 Prior to the Administrators' appointment, the Company was completing a five well development drilling programme in Ogini, in order to increase the field offtake rate and provide data for further field development planning The Administrators agreed with management's recommendation that a technical review of the asset be undertaken, in order to provide updated information to the Administrators and any potential purchasers about the value in the asset

4 23 In the interim, the Company has provided some limited financial support to FHN26 to ensure operations remain stable while a sales process for OML 26 is undertaken The asset will continue to operate under the control of the Nigerian Petroleum Development Company (**NPDC**) throughout the sales process and FHN26 will be liable to meet the asset's ongoing funding obligations

4 24 There remains the risk that any funding provided by the Company may not be repaid if value is not received for the asset However, based on discussions with management, the Administrators believe there is value in the asset worth pursuing and expect to provide further limited financial support while the sale process is undertaken

4 25 The sales process in respect of the Group's interest in this asset was launched on 10 September 2015 This site is also included in the sales process that has been initiated and is detailed at section 4 46

OML 115, OPL 310 and OML 113

4 26 Additional exploration sites in Nigeria include OML 115, OPL 310 and OML 113 These sites remain at the exploratory drilling, appraisal and development stage

4 27 The Group has a 50% working interest in OML 115 via Afren Exploration and Production Beta Nigeria Limited The 1,667sqkm oil field is located offshore on the eastern Niger Delta, surrounding the Ebok and Okwok oil fields The Group shares its interest in this site with Oriental

4 28 The field was temporarily abandoned following the completion of the Ameena East well in January 2015, however made available for re-entry at a future time Prior to the Administrators' appointment the Group agreed, in conjunction with Oriental, to retain the licence for the field and progress a development and funding plan

4 29 OPL 310 is a 1,850sqkm oil field located offshore in the western section of the Benin Basin The Group has a 40% working interest in OPL 310 via Afren Investments Oil and Gas (Nigeria) Limited (a Nigerian incorporated company), and shares its interest in the field with Optimum Petroleum Development Limited and Lekoil Limited Exploration drilling to date has resulted in the accumulation of light oil at one site known as Ogo

4 30 The Group has a working interest of 16 875% in the Aje field of OML 113 via FHN 113 Limited The 1,670sqkm field is located 24km offshore the coast of Nigeria

4 31 Three of the four wells drilled encountered oil and two were tested at commercial rate OML 113 is expected to reach first oil at the end of 2015 or the beginning of 2016

4 32 Each of these assets have also been included in the sales process detailed at section 4 46

Other operations in Nigeria, West Africa and South Africa

4 33 Outside of Nigeria, the Company was conducting seismic acquisition and processing at two sites in Côte d'Ivoire, known as CI-523 and CI-525 The Group's interest extends to 20% and 51 75% working interest respectively

4 34 The Group also holds a 22 22% interest in an exploratory site in Congo Brazzaville known as La Noumbi, and a 25% working interest in a site known as Block 2B in South Africa The work programme at Block 2B involves geological modeling and seismic analysis

4 35 The Group has a 35% working interest in the Keta Block site in Ghana which it considers at an exploratory stage and under review, subject to seismic analysis

4 36 These assets were previously assessed by the Group to be non-core and over the past year the Group has been in the process of trying to realise these assets The Administrators and management continue to review a range of sale and other options for these assets to try and deliver value back to the creditors of the Company

East Africa exploration

4 37 The Company's East African region comprises a portfolio of exploratory licenses in Kenya (Block 1, Blocks L17 and L18), Tanzania (Tanga Block), Seychelles (Areas A and B), Madagascar (Block

1101) and Ethiopia (Block 8) Its working interests vary from 74% to 100% and relate to seismic survey acquisition and interpretation through to initial exploratory drilling work

4 38 As above, the Administrators and management continue to review a range of options to try and deliver value back to the creditors of the Company

The Kurdistan region of Iraq

4 39 The Company broadened its portfolio and invested in assets outside of Africa, into the Kurdistan region of Iraq The Group operated a 60% working interest in an onshore field known as Barda Rash, via Afren MENA Limited (**MENA**, a UK entity) Barda Rash is a series of oil and gas fields located 55km North West of Erbil

4 40 The Company committed significant capital expenditure to the project and developed the site to production, however, the reservoirs did not perform in line with expectations and significant water ingress created operational challenges which proved extremely costly to overcome In 2014, an independent review concluded that the reserves at the site were significantly lower than previously reported and the Company fully impaired the project in its annual accounts to 31 December 2014

4 41 Following the impairment, the Company considered that it was uneconomical to continue to operate the site, but it continued to have responsibilities and liabilities under the operating agreement Due to the reduced level of reserves it was not believed by MENA that any external party would be willing to take over the operations in their existing form and no value was anticipated to exist in the Barda Rash fields

4 42 Prior to the date of the Administrators' appointment MENA had been in discussions with the Kurdistan Regional Government (**KRG**) regarding a potential relinquishment of the site back to the KRG, but this has not yet been finalised Following the date of the Administrators' appointment, the Company was unable to continue to financially support MENA as there was not considered to be any value recoverable to the creditors of the Company from this entity MENA has no other source of revenue or cash flow and the director of MENA has, therefore, been seeking to ensure that the affairs of MENA are wound down in an appropriate manner

4 43 MENA has now agreed a relinquishment and termination agreement with KRG The effect of this is to surrender the Barda Rash operational site back to the KRG with all current and future contractual responsibilities for the field removed The director of MENA considers that this is an appropriate course of action as it significantly mitigates the liabilities against MENA

4 44 MENA also has a financial interest in a further contract, however this is in default and not considered to have any value

4 45 The director of MENA is currently assessing the options for MENA

Sales process

4 46 The Administrators have instructed The Blackstone Group International Partners LLP (**Blackstone**) to act as financial and M&A advisors to the Company The Administrators believe that Blackstone's in depth knowledge of the current situation and key assets, coupled with their internationally recognised restructuring and M&A practice, will enable them to move quickly and efficiently towards effective and robust disposal processes in what is an extremely challenging environment

4 47 Upon engagement by the Administrators, Blackstone immediately resigned from their previous role advising certain Company noteholders

4 48 The sales process consists of two main phases, with the first phase seeking indicative offers for the assets and the second phase requiring the reconfirmation of indicative offers following detailed technical and operational due diligence by the interested parties

4 49 Blackstone initially contacted 46 individual parties, comprising a mix of technical operators, financial investors and previous interested parties 20 of these parties are based in Nigeria and 26 parties are international In addition, the sale process was announced publically with interested parties asked to contact Blackstone directly to indicate their interest to be included in the process

4 50 Interested parties were then asked to sign non-disclosure agreements and were provided with access to data rooms, which contained information relating to each of the assets above 36 parties executed and returned non-disclosure agreements

4 51 Initial offers have been submitted for all of the assets except OML26, where offers are expected at the start of October 2015 The Administrators are unable to provide further details at this stage, whilst discussions with interested parties are ongoing

4 52 All of the initial offers received have been reviewed in detail by Blackstone and the Administrators Following this process, a number of interested parties were invited to receive further information and to undertake more detailed technical due diligence A further data room was also opened and interested parties were provided with the opportunity to review detailed technical data and attend Q&A sessions with management Parties proceeding to this stage were selected based on their ability to execute a transaction in the context of the Administration strategy

4 53 The next step for the sales process is to allow these interested parties to complete this further due diligence exercise and provide their revised bids to Blackstone

4 54 The Administrators and Blackstone continue to work closely with the interested parties, key stakeholders and management to assess and agree the optimum strategy for individual assets

4 55 Further information about the progress of the sale process will be covered in the Administrators' second report to creditors

Other assets

Cash at bank

4 56 At the date of the Administrators' appointment, the Company utilised bank accounts provided by Standard Bank Jersey Limited (**Standard**), HSBC Bank plc (**HSBC**), BNPP and Access Bank plc (**Access**) The balances standing to the credit of each of these accounts was secured in favour of Wilmington in connection with the issues of the Bridge Securities

4 57 In June 2015, the Company granted security to Wilmington, as security trustee in respect of the Bridge Securities, over three accounts held by the Company with Standard

4 58 At the date of the Administrators' appointment, the Administrators immediately requested that all bank accounts were frozen and the credit balances transferred to the Administration

4 59 As the Standard accounts were based in Jersey, it was necessary for the Administrators to apply to the UK and Jersey Courts to seek recognition of the Administration proceedings in Jersey

4 60 On 14 August 2015 the Jersey court formally recognised the Administration proceedings and specifically the Administrators' powers to deal with the funds held in the Standard accounts The

Administrators subsequently arranged the transfer of funds from the Standard accounts and on 19 August 2015 received balances totalling $51 8 million and £0 9 million

4 61 At the date of the Administrators' appointment, the Company's accounts held with HSBC, BNPP and Access held relatively small balances The funds are expected to be received shortly, net of any residual transfer charges

4 62 The Company also had bank accounts provided by BNPP, over which it granted security in favour of BNPP on behalf of the Ebok Lenders As of the date of the Administrators' appointment, there were no funds in these account

Artwork

4 63 The Company owns numerous items of African artwork, which are expected to have a realisable value Bonhams 1793 Limited (**Bonhams**), the auctioneers, have been instructed to provide valuations of the artwork and to assist in its realisation

4 64 It is expected that the artwork will be placed into a dedicated African art auction on 28 October 2015

Fixtures and fittings

4 65 The Company owns various fixtures and fittings and miscellaneous office furniture at the Head Office Hilco Global Limited (**Hilco**) has been instructed by the Administrators to value and dispose of these assets, where appropriate, as part of a rationalisation of the occupancy of the Head Office

4 66 Certain assets remain in use and will be realised later in the Administration when they are no longer required

Investigations and litigation

Unauthorised payments

4 67 As noted in paragraph 3 18, the Company identified a number of unauthorised payments which were made to certain former executives

4 68 On 31 December 2014 a settlement agreement was entered into with two of these former executives, Osman Shahenshah and Shahid Ullah Under the terms of this agreement payments totalling $20 1 million were to be made to the Company

4 69 The Administrators have written to Messrs Shahenshah and Ullah's legal advisors and are currently pursuing the balance of this debt

4 70 A further update will be provided in the Administrators' next report

Other investigations

4 71 In line with the Administrators' statutory duties, the Administrators will undertake general investigations into the Company's failure, including reviewing the conduct of its current and former directors

4 72 The Administrators will also assess whether there are any other actions or litigation which could be taken to generate additional recoveries for the Company's creditors

4 73 The Administrators will also work with relevant law enforcement agencies in respect of these investigations, where required

Employee redundancies

4 74 As detailed in paragraph 3 3, 66 staff were employed directly by the Company at the date of the Administrators' appointment Since the appointment of the Administrators, 34 employees have been made redundant, as their roles were no longer required in pursuit of the Administration strategy

4 75 The Administrators continue to review the ongoing staffing requirements of the Company and remain in consultation with the remaining employees

Cost rationalisation

4 76 At the date of the Administrators' appointment, the Company occupied three floors at the Head Office Due to the reduced operations and number of employees of the Company, it is no longer necessary to occupy such a large amount of space

4 77 The Administrators engaged Colliers International Valuation UK LLP (**Colliers**) to advise as to any potential value in the lease Colliers concluded that due to the relatively short expiry date and the level of rent arrears, there was unlikely to be any net value available to the Company

4 78 The Administrators approached the landlord and implemented a swift relocation of staff and systems On 1 September 2015, the Company formally vacated two of the three floors of the premises and now remains solely in occupation of the first floor

4 79 This strategy has reduced the level of continued costs for rent and associated costs such as service charge, business rates and insurances

4 80 The Administrators are reviewing all other operating costs in order to ensure that the continuing costs are minimised where possible

5 Financial position and Administrators' receipts and payments

Financial position

5 1 A summary SofA of the Company is attached at Appendix D A list of the Company's creditors was provided with the SofA and the full document has been lodged at Companies House

5 2 The Administrators have the following observations to make in relation to the SofA

- As is normal, the SofA is before provision for the costs of the Administration
- The level of realisations noted for the Company excludes any realisations which may be achieved by the creditors of the Company from security held elsewhere within the Group Such realisations will reduce the level of claims against the Company As noted in the explanations provided in the SofA, these realisations are as yet uncertain and may affect the level of secured and guaranteed claims (which have been included in full)
- The preferential claim relating to the pension contributions has already been paid by the Administrators during their trading period

5 3 Details of the amounts due to the Company's creditors can be found at section 2

Administrators' Receipts and Payments Accounts

5 4 A summary of receipts and payments is attached at Appendix E As a large number of transactions are undertaken in USD$ as well as GBP£, the Administrators have provided a receipts and payments account for each currency The receipts and payments accounts should, therefore, be read together

5 5 The trading accounts are on a cash basis and so do not reflect any uncollected debts or accrued liabilities that remain to be settled

5 6 At the date of the Administrators' appointment, the Company held funds of approximately $50 million It is expected that a large proportion of these funds will be utilised to facilitate the realisation of the wider Group's assets and further funding will be required The Administrators are in discussions with the Bridge Securities to agree and obtain an appropriate level of funding required going forward

5 7 As detailed in paragraph 5 2, it is likely that the majority of any realisations from investments and subsidiaries will not be recovered into the Administration, though it will provide a benefit to creditors of the Company and reduce creditor liabilities

5 8 The key items in the receipts and payments account are as follows

Trading payments

5 9 These are routine costs incurred for IT, payroll and other associated functions to support the continued central operations and the realisation process in subsidiaries

Funding to subsidiaries

5 10 This is funding provided to various subsidiaries to cover certain costs and liabilities incurred directly at subsidiary level in support of the asset realisation and sales processes

5 11 All such funding is reviewed by the Administrators and provided only where considered appropriate and necessary

Advisory fees

5 12 This is payment for third party professional fees relating to the instigation and progression of the sales process and advice on realisation strategy

Legal fees – Standard Bank

5 13 This relates to fees paid to Standard Bank's legal advisors in order to secure the release of funds held in the Company's pre-appointment bank accounts

6 Estimated outcome for creditors

Secured creditors

6 1 A summary of the Company's secured creditors can be found at section 2 and Appendix C

Holders of the Bridge Securities

6 2 Wilmington was appointed as security trustee for holders of the Bridge Securities pursuant to a security trust deed dated 30 April 2015 The Company also granted fixed and floating charges over all of its property, assets and undertaking to Wilmington on that date

6 3 In accordance with the NPA, on 30 April 2015 and 1 June 2015, the Company also granted security over its bank account balances, as detailed in paragraph 4 56, in favour of Wilmington The Company has also granted Wilmington security over its intercompany receivables

6 4 As at the date of appointment, the balance due to the holders of the Bridge Securities was approximately $217 million

6 5 It is uncertain at this stage whether proceeds from the disposal of assets over which the Company and its subsidiaries have granted security to Wilmington will be sufficient to repay holders of the Bridge Securities in full

Deutsche Bank AG, Citibank Nigeria Limited, BNP Paribas, Natixis

6 6 The Ebok Lenders benefit from a security over a limited number of the Company's assets Security was granted by the Company pursuant to French law bank account pledge agreements on 2 November 2011 and 18 April 2013, over its hedging account with BNPP As at the date of the appointment of the Administrators the balance in this hedging account was nil and it is not expected that any further payments will be made into this account Security was also granted by the Company pursuant to an English law security assignment agreement on 3 March 2011, pursuant to which the Company assigned its rights under certain hedging agreements The Administrators understand that these hedging agreements are no longer in place

6 7 As at the date of the Administrators' appointment, the debt due under the Ebok Facility was approximately $300 million

6 8 It is uncertain at this stage whether proceeds from the disposal of assets over which the Company and its subsidiaries have granted security will be sufficient to repay the Ebok Lenders in full

Other security

6 9 The Company's charges register at Companies House contains a number of outstanding charges relating to indebtedness which the Administrators understand to have been repaid in full In May 2007, the Company granted security to BNPP in respect of a facility agreement between Afren Okoro Limited as borrower and the Company as guarantor This facility was repaid in February 2011 In May 2008, the Company granted security to BNPP in respect of a facility borrowed to finance the Group's acquisitions in Côte d'Ivoire This facility was repaid in February 2011 In November 2011, the Company granted security to BNPP in respect of a facility borrowed by MENA (formerly known as Beta Energy Limited), which was repaid in March 2012

6 10 In addition, the Company's charges register contains two charges (granted in April 2005 and January 2007) in favour of Lloyds TSB Bank PLC (**Lloyds**) over the Company's accounts with Lloyds to secure all monies owing by the Company to Lloyds As at the date of the Administrators'

appointment, the Company did not have any bank accounts with Lloyds, so the Administrators believe that these charges are obsolete

Preferential creditors

6 11 The Company has preferential creditor liabilities in relation to unpaid holiday pay owed to the redundant employees The claims are estimated to total approximately £0 5 million This amount is currently being confirmed and will be reviewed by the Administrators in due course

6 12 Preferential creditor claims will be discharged in full

Unsecured creditors of the Company with access to security elsewhere within the Group

Access Bank PLC

6 13 The Company also guarantees the borrowings of its subsidiary, AEPNA under the Okwok/OML 113 Facility with Access The Company has not granted security to secure its guarantee obligations under the Okwok/OML 113 Facility Accordingly, Access Bank PLC is an unsecured creditor of the Company However, certain of the Company's subsidiaries (AEPNA, Afren Nigeria Holdings Limited and FHN 113 Limited) have each granted security in favour of Access Bank PLC The Okwok/OML 113 Facility is secured against the Okwok field reserves

6 14 As at the date of the Administrators' appointment, the debt due under the Okwok/OML 113 Facility was approximately $50 million It is uncertain at this stage whether there will be sufficient realisations from secured assets at subsidiary level to repay the Okwok/OML 113 Facility in full

Senior Secured Notes

6 15 Since 2011, the Company has issued three sets of notes the 2016 Notes, the 2019 Notes and the 2020 Notes As at the date of the Administrators' appointment, approximately $253 million was outstanding in respect of the 2016 Notes, $250 million in respect of the 2019 Notes and $360 million in respect of the 2020 Notes The Existing Notes are listed on the Luxembourg Stock Exchange and are guaranteed on a subordinated basis by ARL and on a senior basis by certain of the Company's other subsidiary companies

6 16 The Company has not itself provided security in respect of the Existing Notes, so holders of the Existing Notes are unsecured creditors of the Company However, the subsidiary guarantors have granted security to Deutsche Bank Trust Company Americas (**DB Americas**) as Primary Collateral Agent for the holders of the Notes UMB Bank, NA replaced DB Americas as Primary Collateral Agent and Note Trustee on or around 30 April 2015

6 17 It is uncertain at this stage whether proceeds from the realisation of assets over which the Company's subsidiaries have granted security will be sufficient to repay the holders of the Existing Notes in full

Unsecured creditors

6 18 Where there is a floating charge which was created on or after 15 September 2003, the Administrators are required to create a fund from the Company's net property available for the benefit of unsecured creditors (**Unsecured Creditors' Fund**), commonly known as the prescribed part

6 19 In this case, the value of the Unsecured Creditors' Fund will be £0 6 million, which is the statutory maximum This has been set aside to ensure that the unsecured creditors receive the same return that would have been achieved if funding was not utilised in pursuit of realisations to the creditors of the Company by asset disposals elsewhere in the Group Beneficiaries of floating charges granted by the Company are not entitled to any share of the Unsecured Creditors' Fund

6 20 The likely level of return for unsecured creditors can be found within section 2 of this report Creditors are invited to submit details of their claims to AlixPartners' Manchester office, situated at The Zenith Building, 26 Spring Gardens, Manchester M2 1AB, using the Statement of Claim form that can be downloaded from AlixPartners' creditor portal Alternatively, claims can be submitted electronically to **afren@alixpartners.com**

6 21 The Administrators are not able to acknowledge receipt of individual claims, however, claims received will be held on file until the Administrators are in a position to make a distribution

7 Administrators' fees

7 1 An analysis of the Administrators' time costs is included at Appendix F Details of the basis of the Administrators' fees and pre-administration costs are included at Appendix G Additional information in relation to the Administrators' fees pursuant to Statement of Insolvency Practice 9 is included at Appendix H

7 2 The Company's creditors are responsible for approving the Administrators' proposals and fees This will be considered at the meeting of creditors, details of which can be found at section 8

8 What happens next

Administration strategy

8 1 The Administrators will continue to pursue the strategy as detailed in this report including continuing with the sales and realisations process and carrying out investigations into the Company's affairs

Meeting of creditors

8 2 An initial meeting of the Company's creditors is being convened to approve the Administrators' proposals Also, in the absence of a creditors' committee being established, the meeting will be asked to approve the basis of the Administrators' fees, category 2 disbursements and pre-administration costs

8 3 The meeting will be held on Friday 9 October 2015 at 11 00am at Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London, SW1P 3EE Further information about the meeting is contained in the letter accompanying this report

Report

8 4 The Administrators are required to provide a progress report within one month of the end of the next six month period

For and on behalf of
Afren Plc

Simon Appell
Administrator

Encs

Appendix A. Statutory information

Company information

Company name	Afren Plc
Registered number	05304498
Registered office	c/o AlixPartners, The Zenith Building, 26 Spring Gardens, Manchester M2 1AB
Former registered office and trading address	Kinnaird House, 1 Pall Mall East, London SW1Y 5AU
Court details	High Court of Justice, Chancery Division, Companies Court
Court reference	5206 of 2015

Appointor's information

Name	Address	Position
David Charles Lawrence Frauman	c/o Kinnaird House, 1 Pall Mall East, London SW1Y 5AU	Director
Alan Scott Linn	c/o Kinnaird House, 1 Pall Mall East, London SW1Y 5AU	Director
David Howard Thomas	c/o Kinnaird House, 1 Pall Mall East, London SW1Y 5AU	Director

Details of the Company's directors and secretary at the date of appointment are as follows

	Date appointed	Date resigned	Number of shares held	Percentage of shareholding
Directors				
David Charles Lawrence Frauman	25 June 2015	-	Nil	Nil
Alan Scott Linn	30 April 2015	-	Nil	Nil
David Howard Thomas	25 June 2015	-	Nil	Nil
Secretary				
Elekwachi Chukwudi Ukwu	25 March 2010	-	Nil	Nil

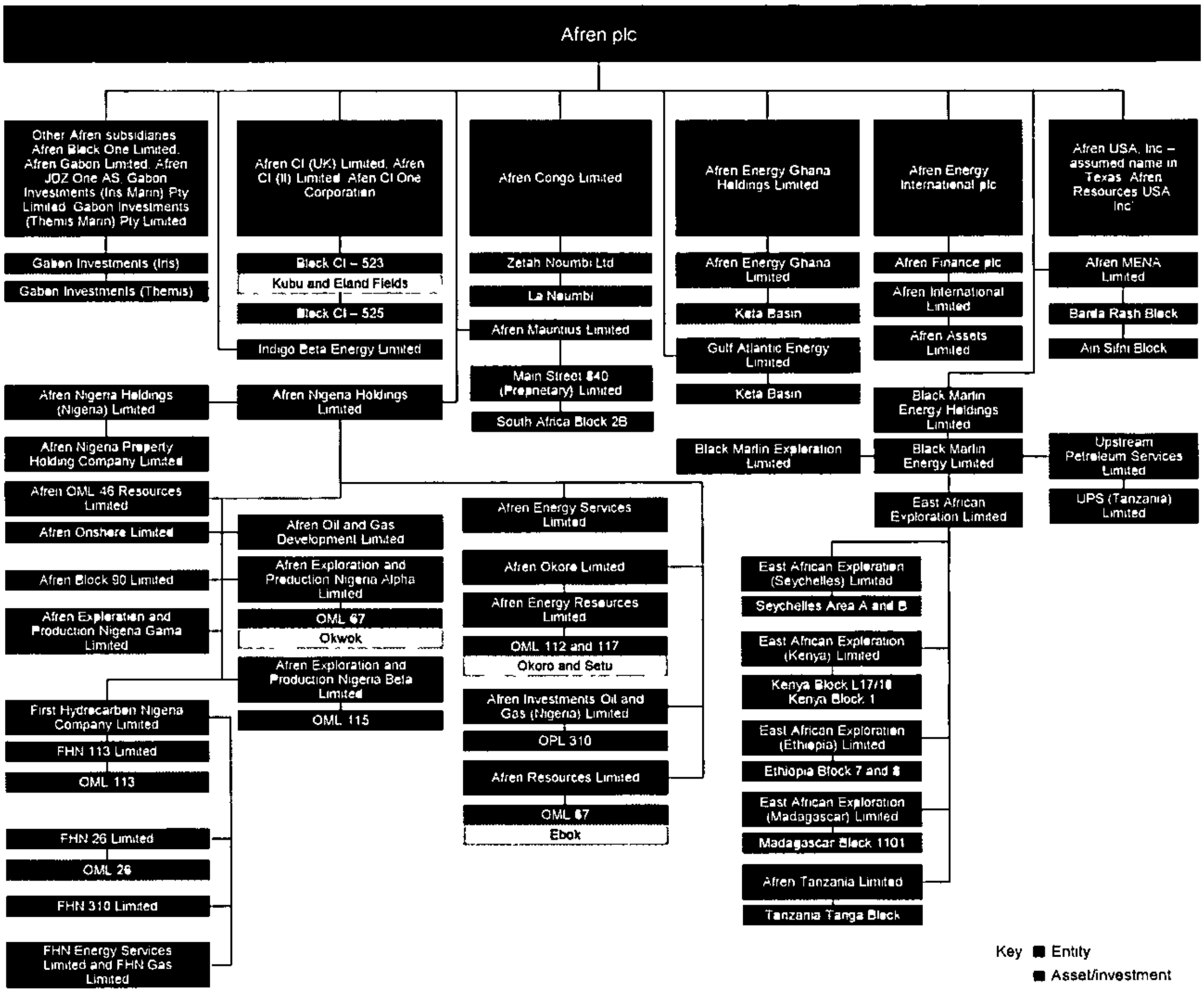
Details of the Company's shareholders are retained by the Administrators

Administrators' information

Name	Address	IP number	Name of authorising body
Simon Appell	AlixPartners, 10 Fleet Place, London EC4M 7RB	009305	Insolvency Practitioners Association
Daniel Imison	AlixPartners, 10 Fleet Place, London EC4M 7RB	013434	Insolvency Practitioners Association
Catherine Williamson	AlixPartners, The Zenith Building, 26 Spring Gardens, Manchester M2 1AB	015570	Insolvency Practitioners Association

The EC Regulation on Insolvency Proceedings 2000 applies to the Administration The proceedings are main proceedings as defined by article 3 of the Regulation The Company is based in the UK In accordance with paragraph 100(2) of schedule B1 of the Insolvency Act 1986, all functions of the Administrators are to be exercised by any or all of the Administrators All references to the Administrators should be read as the Joint Administrators

Appendix B. Group structure



Appendix C. Summary of security granted

Name	Security held	Date security granted	Funding type	Estimated debt $million
Wilmington Trust (London) Limited	Jersey, French and English law bank account charges, debenture and intercompany debt charge	1 June 2015 and 30 April 2015	Bridge Securities	217
Deutsche Bank AG, Citibank Nigeria Limited, BNP Paribas	French law bank account pledge	18 April 2013		
BNP Paribas (as security trustee)	French law operating account security	2 November 2011	Ebok Facility	300
BNP Paribas (as security trustee)	Bank account pledge agreements and security assignment of agreements	3 March 2011		
BNP Paribas (as security trustee)	Mortgage of shares	5 March 2008	Facility with BNP Paribas which has been repaid in full	Nil
BNP Paribas	Share charge	14 May 2007	Facility with BNP Paribas which has been repaid in full	Nil
Lloyds TSB Bank	Deposit agreement	11 January 2007	All amounts owed to Lloyds TSB Bank plc	Nil
Lloyds TSB Bank	Deposit agreement	14 April 2005	All amounts owed to Lloyds TSB Bank plc	Nil

Appendix D. Directors' Statement of Affairs of the Company as at 31 July 2015

Rule 2.29

Form 2.14B

Statement of affairs

Name of Company	Company number
Afren Plc	05304498

In the High Court of Justice Chancery Division Companies Court	Court case number 5206 of 2015

Statement as to the affairs of Afren Plc, Kinnaird House, 1 Pall Mall East, London, SW1Y 5AU

on the 31st July 2015, the date that the company entered administration

Statement of Truth

I believe that the facts stated in this statement of affairs are a full, true and complete statement of the affairs of the above named company as at 31 July 2015, the date that the company entered administration

Full name DAVID HOWARD THOMAS

Signed DHThomas

Dated 23/09/2015

A – Summary of Assets

Assets

	Book Value 31-Jul-15 $	Estimated to Realise $
Assets subject to fixed charge.	40,330,000	-
Amounts due to secured creditor		(9,800,000)
Shortfall to secured creditor		(9,800,000)
Assets subject to floating charge	1 117 045,576	62,952,944
Uncharged assets	-	-
Estimated total assets available for preferential creditors	1,117,045,576	62,952,944

Signature DH Thomas Date 23/09/2015

A1 – Summary of Liabilities

	Estimated to realise
	$
Estimated total assets available for preferential creditors (carried from page A)	**62,952,944**
Liabilities	
Preferential creditors -	(886 680)
Estimated deficiency/surplus as regards preferential creditors	**62,066,264**
Estimated prescribed part of net property where applicable (to carry forward)	(936,330)
Estimated total assets available for floating charge holders	**61,129,935**
Debts secured by floating charges	(219,676,339)
Estimated deficiency/surplus of assets after floating charges	**(158,546,405)**
Estimated prescribed part of net property where applicable (brought down)	936,330
Total assets available to unsecured creditors	**936,330**
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)	(1,567 986,977)
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall to floating charge holders)	**(1 567,050,647)**
Shortfall to floating charge holders (brought down)	(158,546,405)
Shortfall to fixed chargeholders (carried from page A)	(9,800 000)
Estimated deficiency/surplus as regards creditors	**(1,735,397,052)**
Issued and called up capital	(19,217,512)
Estimated total deficiency/surplus as regards members	**(1,754,614,564)**

Signature DHThomas Date 23/09/2015

Appendix E. Administrators' Receipts and Payments Accounts for the period 31 July 2015 to 18 September 2015

Trading Account - GBP £

	£
Direct costs	
Wages and salaries	568,793
	(568,793)
Trading expenditure	
Head office costs	
Security	621
Retention of title settlement	1,400
Sundry costs	2,493
Group IT and communications costs	119,714
Rent	13,867
Contractor costs	44,835
	(182,930)
Trading deficit	**(751,723)**

Receipts and Payments Account - GBP £

Floating charge assets	
Receipts	
Cash at bank	891,856
Rent deposit refund	6,369
Bank interest	35
	898,260
Payments	
Trading deficit	751,723
Employee agent's fees	2,910
Category 1 disbursements	
Statutory advertisements	85
Stationery, postage and photocopying	3,167
Legal fees	6,090
Bank charges	45
	(764,020)
Balance	**134,240**
Represented by	
Interest bearing account	103,915
VAT receivable	30,327
	134,242

Trading Account - USD $

	$
Trading expenditure	
Funding contribution to subsidiaries	
Afren Resources USA Inc	549,928
Afren Energy Services Limited	2,815,219
FHN 26 Limited	8,824,215
Group IT and communications costs	150,000
Contractor costs	51,305
	(12,390,667)
Trading deficit	**(12,390,667)**

Receipts and Payments Account - USD $

Floating charge assets	
Receipts	
Cash at bank	51,768,789
Contribution to costs - Okoro	1,500,000
Funds held on trust for subsidiaries	6,916
	53,275,705
Payments	
Trading deficit	12,390,667
Professional advisors' fees	550,000
Bank charges	345
	(12,941,012)
Balance	**40,334,693**
Represented by	
Interest bearing accounts	40,334,693
	40,334,693

Appendix F. Time Analysis and details of time spent

Total time costs for the Period are £1,137,436 This represents 2,041 4 hours at an average rate of £557 per hour

	Employee grade (hours)					£	
	Managing director /director	Associate director /senior associate	Associate/ analyst	Junior analyst/ support	Total hours	Total cost	Average rate per hour
Administration and planning							
Planning	45 4	2 3	1 0	-	48 7	34,364 00	706
Strategy and control	120 9	68 3	20 9	0 6	210 7	147,754 00	701
Statutory duties	14 5	4 0	10 5	1 7	30 7	16,926 50	551
Case administration	0 3	33 1	23 0	5 9	62 3	30,065 50	483
Accounting and treasury	2 7	2 6	15 0	5 1	25 4	10,324 50	406
Travel and waiting time	-	9 5	6 0	-	15 5	7,935 00	512
Internal documentation	4 4	14 5	7 0	-	25 9	13,995 00	540
Investigations							
Director conduct reports	1 2	-	0 4	3 8	5 4	2,019 00	374
Other investigations	31 6	22 0	3 9	0 3	57 8	38,570 00	667
Internal documentation	2 2	4 8	-	-	7 0	4,488 00	641
Realisation of assets - floating charge							
Asset realisation strategy	80 0	132 1	20 5	-	232 6	149,437 00	642
Asset identification and valuation	1 0	0 6	20 7	0 3	22 6	9,945 00	440
Sale of assets	21 8	12 0	2 4	3 6	39 8	26,562 50	667
Recovery of assets	2 5	14 0	1 9	-	18 4	10,868 00	591
Asset accounting and administration	1 1	13 7	9 8	24 9	49 5	17,913 50	362
Trading							
Trading strategy	76 5	238 2	26 7	-	341 4	206,500 00	605
Trading activities	12 2	65 4	221 0	5 8	304.4	140,443 00	461
Accounting and administration	4 3	9 2	89 5	26 8	129 8	51,446 00	396
Creditors							
Creditor claims	0 1	-	6 9	-	7 0	2,966 50	424
Creditor litigation	-	-	1 4	-	1.4	588 00	420
Internal documentation	-	0 8	2 0	-	2 8	1,296 00	463
Creditor strategy	17 3	3 8	-	-	21 1	16,296 50	772
Reporting to creditors	10 4	27 3	52 5	5 4	95 6	46,156 50	483
Creditor meetings	2 0	-	-	-	2 0	1,680 00	840
Secured creditors	56 2	2 5	1 7	-	60 4	49,033 50	812
Preferential creditors	-	1 0	-	-	1 0	550 00	550
Unsecured creditors	5 6	4 1	16 9	43 1	69 7	23,039 00	331
Employees	22 7	30 7	39 7	8 5	101 6	54,911 50	540
Shareholders and other stakeholders	14 0	1 9	9 4	25 6	50 9	21,361 50	420
Totals	**550 9**	**718 4**	**610 7**	**161 4**	**2,041 4**	**1,137,435 50**	**557**

Principal areas of activity during the Period are discussed in further detail below

- Administration and planning - formulating and implementing the initial case strategy and planning the overall case approach This includes regular meetings with the Group's key management team to update on strategic aspects within the Group and review and assess the appropriateness and progress of the case strategy Complying with statutory duties relating to the Administration and performing general administrative work relating to the case is included in this area

  Case related treasury and support time is also recorded here which will include time spent processing and recording all of the payments within the Administration, opening bank accounts, dealing with bank reconciliations and ongoing requirements of the case

- Investigations – this includes work relating to the Administrators' initial investigations into the directors' conduct together with the Company's dealings prior to the appointment of the Administrators This specifically includes an assessment of the recovery strategy for the monies due from former senior executives which remained unpaid at appointment as well as any further recovery actions which the Administrators may identify Any work relating to ongoing external investigations and the Administrators' co-operation with third parties will also be recorded here

- Realisation of assets floating charge – this principally includes work relating to reviewing and assessing the strategy for the each of the subsidiary and joint venture investments of the Company This includes time spent collating and reviewing information in relation to each of the key assets, providing input into the structure and format of the sales process, monitoring the progress with interested parties and reviewing offers received for each of the key assets detailed in the proposals This area will also include an assessment of all of the numerous non-core assets, gaining an understanding of the current position, potential value and next steps in relation to each of these with the Company's management team

  In addition, this area includes time spent liaising with Hilco in respect of the of the Company's fixtures and fittings, Bonhams in respect of the artwork and Colliers in respect of the property to establish the most appropriate realisation strategy and to monitor the sale process for these assets Time has also been spent dealing with a number of leasing companies to arrange the settlement of finance agreements or the collection of the assets from the Company's premises as appropriate

- Trading – working with the management team to prepare trading budgets and forecasts of the Company and the wider Group, monitoring the cash flow against forecasts and constantly updating for actual performance The Administrators have also implemented a cash committee involving the Administrators and key company staff, and time spent discussing funding needs and approving specific commitments and payments with the cash committee is included in this area

  The Administrators have been liaising with key suppliers of the Company to ensure continuation of critical services and supplies In addition to this, it has been necessary to be involved in numerous global supplier negotiations in support of the wider Group trading and realisation strategy to ensure that there is minimal disruption to the operations Managing employee issues and overseeing the ongoing trading of the business and facilitation of central services to the Group wide assets will also be included here

- Creditors - notifying all creditors of the appointment and preparing statutory reports There have been a significant number of shareholders and individual investors who have written to and contacted the Administrators and time spent dealing with and responding to (where appropriate) these queries is included here A large amount of time was also spent in correspondence and meetings with the secured creditors, providing updates on the case strategy and realisation progress as well as the utilisation of funding Time has also been spent dealing with employee claims and the collation of creditor and other relevant information

Appendix G. Administrators' fees and pre-administration costs

Administrators' fees

The basis of the Administrators' fees may be fixed on one or more of the following bases, and different bases may be fixed for different duties performed by the Administrators

- a percentage of the value of the assets with which they have to deal,
- by reference to time properly spent by them and their staff dealing with matters arising in the Administration, or
- as a set amount

On this assignment it is proposed that the basis of the Administrators' fees shall be fixed by reference to the time properly spent by the Administrators and their staff on matters arising in the Administration

A creditors' meeting is being convened and if creditors resolve to establish a committee it shall, as part of the committee's duties, determine the basis or bases of the Administrators' fees and authorise their disbursements

Subject to the approval of the relevant creditors, it is proposed that the Administrators will draw fees when funds are available

Pre-administration costs

Pre-administration fees charged and expenses incurred by AlixPartners are as follows

Charged by	Brief description of services provided	Total amount charged £	Amount paid £	Payment made by	Amount unpaid £
AlixPartners	Preparation for the appointment of Administrators	234,673	153,879	the Company	80,794
AlixPartners	Disbursements	75	Nil	n/a	75
White and Case LLP	General pre-appointment legal advice	25,758	Nil	n/a	25,758

AlixPartners

In accordance with Statement of Insolvency Practice 9, a summary of the unpaid time costs incurred by AlixPartners in preparation for the appointment is provided below

	Employee grade (hours)					£	
	Managing director /director	Associate director /senior associate	Associate/ analyst	Junior analyst/ support	Total hours	Total cost	Average rate per hour
Standard pre-appointment duties							
Client meetings	-	20 0	5 0	-	25 0	13,100 00	524
Specific appointment preparation							
Project strategy	30 6	0 5	-	-	31 1	25,896 00	833
Project management and administration	16 6	2 8	8 5	-	27 9	16,620 00	596
Information gathering analysis and review	-	33 6	5 0	-	38 6	25,178 12	652
Totals	47 2	56 9	18 5	-	122 6	80,794 12	659

The costs incurred by AlixPartners were subject to an agreement dated 23 July 2015 AlixPartners was engaged by the Company on a time cost basis and the work was performed prior to the Administration in order to review the insolvency options and specifically prepare for an appointment as Administrators

The work performed prior to the Administration has enabled the pursuit of the second statutory objective as outlined in section 1 4 of this report The work carried out pre-appointment has enabled a period of planning in which the Administrators have been able to more effectively understand the operations of the business and the key appointment related issues in order to confirm their ability to accept the appointment and proceed with the Administration

Principal areas of activity during the period prior to the appointment were as follows

- Appointment strategy – reviewing the Company's financial position, Administration options and outline strategy
- Cash flow forecasting - preparing an initial forecast and assessing the potential funding requirement
- Funding arrangements - ensuring that the identified funding need was available and that the Administrators had the ability to utilize funds held in the Administration
- Liaison with key stakeholders - ensuring the key stakeholders were supportive of the proposed appointment
- Specific appointment preparation -assisting with the appointment formalities and planning

White and Case

The work was performed prior to the Administration in order to provide legal advice and assistance relating to planning for the Administration and preparing the relevant appointment documents The majority of the work carried out centered around the following work streams

- Appointment documents – preparing, lodging and filing of all appointment notice documentation on behalf of the Administrators
- Advice regarding appointment - advising on specific appointment related matters
- Planning – assisting AlixPartners in their strategy assessment and planning

Appendix H. Additional information in relation to the Administrators' fees pursuant to Statement of Insolvency Practice 9

Policy

Detailed below is AlixPartners' policy in relation to

- staff allocation and the use of sub contractors,
- professional advisors, and
- disbursements

Staff allocation and the use of sub contractors

The Administrators' general approach to resourcing assignments is to allocate staff with the skills and experience to meet the specific requirements of the case

The case team will usually consist of a managing director, an associate director or senior associate, an associate and an analyst The exact case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment On larger, more complex cases, several staff at all grades may be allocated to meet the demands of the case The charge-out rate schedule overleaf provides details of all grades of staff

With regard to support staff, time spent by the treasury department in relation to specific tasks on an assignment is charged The Administrators only seek to charge and recover secretarial time if a large block of time is incurred, in report compilation and distribution for example

The following services are being provided on this assignment by external sub contractors

Service type	Service provider	Basis of fee arrangement	Cost to date £
Employee claim processing	Insol Employee Solutions Limited	Rate per employee	1,725
Employee payroll processing	Complete Accounting Solutions Limited	Rate per employee	1,185

Professional advisors

On this assignment, the Administrators have used the professional advisors listed below Indicated alongside is the basis of the fee arrangement, which is subject to review on a regular basis

Name of professional advisor	Basis of fee arrangement
Akin Gump LLP (legal advice)	Hourly rate and disbursements
White and Case LLP (legal advice)	Hourly rate and disbursements
Willkie Farr & Gallagher (UK) LLP (legal advice)	Hourly rate and disbursements
The Blackstone Group International Partners LLP (financial and M&A advice)	Monthly retainer, a capped transaction fee and appointment fee
Bonhams 1793 Limited (valuation and disposal advice – specialist artwork)	Percentage of realisations plus certain fixed auction preparation costs
Hilco Global Limited (valuation and disposal advice, exc artwork)	Fixed valuation fee and percentage of realisations for disposals
Colliers International Valuation UK LLP (property review and advice)	Fixed fee
Willis Limited (insurance)	Fee basis to be agreed based on future insurance requirements

The Administrators' choice was based on the assessment of the professional advisors' experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of the fee arrangement with them

Disbursements

Category 1 disbursements do not require approval by creditors Category 1 disbursements may include external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel, external printing, room hire and document storage Also chargeable will be any properly reimbursed expenses incurred by the Administrators and their staff

Approval for category 2 disbursements will be sought as specified in section 1 of this report and may include

- photocopying – charged at the rate of 10 pence per sheet for notifications and reports to creditors and other copying,
- printing – charged at the rate of 10 pence per sheet for black and white printing and 15 pence per sheet for colour, and
- business mileage for staff travel - charged at the rate of 45 pence per mile

Charge-out rates

A schedule of AlixPartners' hourly charge-out rates for this assignment, effective from 1 April 2015, is detailed below Time is charged by managing directors and case staff in units of six minutes

Description	£
Managing director	840
Director	685
Associate director	570
Senior associate	550
Associate	420
Analyst	390
Junior analyst	230
Senior treasury associate	280
Treasury associate	190
Treasury analyst	130
Support	120

Appendix I. Exit routes

Dissolution

The Administrators think that the Company has no property which might permit a distribution to its unsecured creditors other than by virtue of the Unsecured Creditors' Fund, therefore they will file a notice together with their final progress report at court and with the Registrar of Companies for the dissolution of the Company The Administrators will send copies of these documents to the Company and its creditors The Administration will end following the registration of the notice by the Registrar of Companies

Compulsory liquidation

A liquidator of a company has greater powers to investigate, and if required, take action on behalf of a company to recover funds for the benefit of creditors, if, prior to its insolvency, transactions had been entered into by the company without commercial justification and which diminished its net assets If the Administrators become aware of transactions requiring further investigation and potential action by a liquidator, they may make an application to court to end the Administration and request that the court places the Company into compulsory liquidation The Administrators will send notice of any such application to the Company and its creditors