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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or what action you should take, you are recommended to immediately seek your own advice from a person duly authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") (or, if you are a person outside of the United Kingdom, a person who is otherwise duly qualified in your jurisdiction) who specialises in advising on the acquisition of shares and other securities.

The Company and the Directors, whose names appear on page 6 of this document, accept responsibility, collectively and individually, for the information contained in this document and with the compliance for the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. This document, which constitutes an AIM admission document, has been drawn up in accordance with the AIM Rules for Companies. This document is not a prospectus within the meaning of section 85 of FSMA and does not contain an offer of transferable securities to the public in the United Kingdom within the meaning of section 102B of FSMA and has not been approved or examined by and will not be filed with the United Kingdom Financial Services Authority, the London Stock Exchange or the United Kingdom Listing Authority ("UKLA"), but comprises an admission document in relation to AIM, a market operated by the London Stock Exchange. It has been drawn up in accordance with the AIM Rules for Companies and has been issued in connection with the proposed admission to trading of the Ordinary Shares of the Company to AIM.

In accordance with the AIM Rules for Companies, application will be made for the Enlarged Issued Share Capital to be admitted to trading on AIM (a market operated by the London Stock Exchange). It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on AIM on 2 August 2011. The Ordinary Shares are not dealt in or on any market other than, from Admission, AIM and, apart from the application for Admission to AIM, no application has been or is intended to be made by the Company for the Ordinary Shares to be admitted to trading on any such other market. The Ordinary Shares to be issued as a result of the Proposals will, on Admission, rank equally in all respects and will rank in full for all dividends or other distributions declared, made or paid on the Ordinary Shares after the date of issue.

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

Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the London Stock Exchange nor the United Kingdom Listing Authority has itself examined or approved the contents of this document.

THE WHOLE OF THE TEXT OF THIS DOCUMENT SHOULD BE READ AND IN PARTICULAR YOUR ATTENTION IS DRAWN TO THE SECTION ENTITLED "RISK FACTORS" SET OUT IN PART II OF THIS DOCUMENT.

FRONTERA RESOURCES CORPORATION

(Incorporated in the Cayman Islands under the Companies Law (2010 Revision) of the Cayman Islands with registered number 256380)

Implementation of the Proposals
and
Admission to trading on AIM

Financial and Nominated Adviser:	*Joint Broker:*	*Joint Broker:*
Strand Hanson Limited	**Arbuthnot Securities Limited**	**Old Park Lane Capital Plc**

Strand Hanson Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority ("FSA"), is acting as financial and nominated adviser to the Company and for no-one else in connection with the Proposals and the proposed admission of Enlarged Share Capital to trading on AIM. Its responsibility as the Company's nominated adviser under the AIM Rules for Companies is solely to the London Stock Exchange and is not owed to the Company or to any Director or to any other person in respect of their decision to acquire shares in the Company in reliance on any part of this document. Strand Hanson Limited is acting exclusively for the Company and for no one else and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice to any other person in relation to the Proposals and Admission or any other matter referred to herein.

Arbuthnot Securities Limited, which is authorised and regulated in the United Kingdom by the FSA, is acting as joint broker to the Company and for no-one else in connection with the Placing, and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice to any other person in relation to the Placing or any other matter referred to herein.

Old Park Lane Capital Plc, which is authorised and regulated in the United Kingdom by the FSA, is acting as joint broker to the Company and for no-one else in connection with the Placing, and will not be responsible to anyone other than the Company for providing the protections afforded to its customers or for providing advice to any other person in relation to the Placing or any other matter referred to herein.

This document does not constitute an offer to sell, or a solicitation to buy Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any such distribution could result in a violation of the law of such jurisdictions. In particular this document is not for distribution into Canada, Australia, the Republic of South Africa, the Republic

of Ireland or Japan, or any other jurisdiction where to do so would be in breach of any applicable law and/or regulation (and, in particular, this document is not for distribution directly or indirectly to any US Person that is not an accredited investor). The Ordinary Shares have not been, nor will they be, registered under the securities legislation of the United States, any province or territory of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. Accordingly, the Ordinary Shares may not, subject to certain exemptions, be offered or sold directly or indirectly into the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan, or to any national, citizen or resident of the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan unless an exemption from registration exists. No action has been taken by the Company, the holders of Ordinary Shares, or by Strand Hanson Limited or Arbuthnot Securities Limited or Old Park Lane Capital Plc that would permit a public offer of Ordinary Shares or possession or distribution of this document where action for that purpose is required. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Copies of this document will be available free of charge during normal business hours on weekdays (excluding Saturdays, Sundays and public holidays) from the date hereof until one month after Admission from the offices of Lawrence Graham LLP, 4 More London Riverside SE1 2AU, London and from the Company's website: www.fronteraresources.com.

Forward-looking statements

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negatives or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include, but are not limited to, statements regarding the Company's intentions, beliefs or current expectations concerning, *inter alia*, the Group's results of operations, financial position, liquidity, prospects, growth, strategies and expectations. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the development of the markets and the industry in which the Group operates, may differ materially from those described in, or suggested by, the forward-looking statements contained in this document. In addition, even if the development of the markets and the industry in which the Group operates are consistent with the forward-looking statements contained in this document, those developments may not be indicative of developments in subsequent periods. Exploration for oil is a speculative business that involves a high degree of risk. A number of factors could cause developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, risks inherent in oil and gas production operations; availability and performance of needed equipment and personnel; the Company's ability to raise further capital to fund the Group's exploration and development programs; seismic data; evaluation of logs, cores and other data from wells drilled; inherent uncertainty in estimation of oil and gas resources; fluctuations in oil and gas prices; weather conditions; general economic conditions; the political situation in Georgia and relations with neighbouring countries, as well as but not limited to other factors listed set out in Part II of this document. There is no assurance that the Group's expectations will be realised, and actual results may differ materially from those expressed in the forward-looking statements.

Any forward-looking statements in this document reflect the Company's current view (assuming the Proposals have been implemented and Admission has occurred) with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's operations and growth strategy. Investors should specifically consider the factors which could cause results to differ before making an investment decision. Subject to the requirements of the AIM Rules for Companies or applicable law, the Company undertakes no obligation publicly to release the result of any revisions of any forward-looking statements in this document that may occur due to any change in the Company's expectations or to reflect events or circumstances after the date of this document.

United States securities laws

The Ordinary Shares being issued pursuant to the Proposals are being offered and sold outside the United States to persons who are not "US Persons" (within the meaning of Regulation S under the US Securities Act) in transactions complying with Regulation S, which provides an exemption from the requirement to register the offer and sale under the US Securities Act. In certain limited cases, the Ordinary Shares are being offered and sold in the United States, but only in private placements to persons who are institutional accredited investors (within the meaning of Regulation D) in transactions complying with Rule 506 of Regulation D, which provides an exemption from the requirement to register the offer and sale of the Ordinary Shares being issued under the Proposals under the US Securities Act.

THE ORDINARY SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE US SECURITIES AND EXCHANGE COMMISSION OR BY ANY US STATE SECURITIES COMMISSION OR AUTHORITY, NOR HAS ANY SUCH US AUTHORITY PASSED ON THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

THE ORDINARY SHARES HAVE NOT BEEN (AND WILL NOT BE) REGISTERED UNDER THE US SECURITIES ACT OR SECURITIES LAWS OF ANY US STATE OR JURISDICTION AND WILL NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT AND SUCH OTHER APPLICABLE LAWS.

Notice to Prospective Investors in the European Economic Area

No Ordinary Shares have been offered or sold, or will be offered or sold, to the public in any member state of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") except (with effect from and including the Relevant Implementation Date): (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of Arbuthnot Securities Limited or Old Park Lane Securities Plc; or (d) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	27 July 2011
Effective date and approximate time of the Merger	10.00 p.m. on 1 August 2011
Cancellation of trading of Frontera Delaware Shares following the Merger becoming effective	8.00 a.m. on 2 August 2011
Expected Admission and commencement of dealings in the Enlarged Issued Share Capital on AIM	8.00 a.m. on 2 August 2011
Notification of action taken by written consent and other matters mailed to former holders of Frontera Delaware Shares	2 August 2011
Expected date for CREST accounts to be credited with Depositary Interests (where applicable)	2 August 2011
Expected date of despatch of share certificates for Frontera Cayman Shares (where applicable)	by 16 August 2011

Each of the times and dates in the above timetable is subject to change. All references are to London time and date unless otherwise stated. Temporary documents of title will not be issued.

PROPOSAL STATISTICS

Placing Price per Frontera Cayman Share	4 pence
Number of Frontera Delaware Shares currently in issue[(1)]	135,318,282
Number of Frontera Cayman Shares to be issued pursuant to the Merger[(2)]	139,318,282
Number of Frontera Cayman Shares to be issued pursuant to the Placing	115,678,351
Number of Frontera Cayman Shares to be issued pursuant to the Subscription	53,959,053
Number of Frontera Cayman Shares to be issued pursuant to the Exchange Offer	1,593,853,570
Number of Frontera Cayman Shares to be issued pursuant to the Management Debt Conversion	141,515,879
Number of Frontera Cayman Shares in issue at Admission[(2)]	2,044,325,136
Market Capitalisation of Frontera Cayman at Admission by reference to the Placing Price[(2)]	£81.8 million
New Frontera Cayman Shares as a percentage of the Enlarged Issued Share Capital at Admission	93.4 per cent.
Percentage of the Enlarged Issued Share Capital held by the Directors at Admission	18.3 per cent.
Number of warrants over Frontera Cayman Shares outstanding at Admission	217,171,356
Number of options over Frontera Cayman Shares outstanding at Admission	14,850,389
AIM symbol	FRR
ISIN Number	KYG368131069
CUSIP Number	G36813106

(1) As at 26 July 2011, being the day prior to the publication of this document.

(2) (i) Assuming the issuance of 4 million Frontera Delaware Shares to a former director of Frontera Delaware prior to the Merger becoming effective and assuming that the issued share capital of Frontera Delaware otherwise remains unchanged prior to the Merger becoming effective; (ii) all Frontera Cayman Shares which are due to US Shareholders in consideration for their Frontera Delaware Shares will be held by the Company as treasury shares pending a determination of whether such US Shareholders are able to receive Frontera Cayman Shares. US Shareholders who are not able to evidence that they are accredited shareholders (for the purposes of the US Securities Act) will receive cash in lieu of Frontera Cayman Shares and such corresponding shares held in treasury as they were due will be cancelled by the Company in due course.

EXCHANGE RATES

For reference purposes only, the following exchange rate was prevailing on 28 June 2011 (being the date upon which the Proposals were announced by Frontera Delaware):

US$1.6216 per £1

All amounts in this document expressed in the above currencies have, unless otherwise stated, been calculated using the above exchange rate.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Steve Nicandros *(Chairman and Chief Executive Officer)* Stephen McGregor *(Executive Director and Chief Financial Officer)* Luis Giusti *(Non-Executive Director)* Andrew Szescila *(Non-Executive Director)*
Registered Office	Offices of Walkers Corporate Services Limited Walker House 87 Mary Street George Town Grand Cayman KY1-9005 Cayman Islands
Principal place of business and business address of the Directors	Frontera Resources Corporation 3040 Post Oak Boulevard Suite 1100 Houston Texas 77056 United States
Company Secretary	Nicolas J. Evanoff
Financial and Nominated Adviser	Strand Hanson Limited 26 Mount Row London W1K 3SQ United Kingdom
Joint Broker	Arbuthnot Securities Limited Arbuthnot House 20 Ropemaker Street London EC2Y 9AR United Kingdom
Joint Broker	Old Park Lane Capital Plc 49 Berkeley Square London W1J 5AZ United Kingdom
Petroleum Consultants	Netherland, Sewell & Associates, Inc 4500 Thanksgiving Tower 1601 Elm Street, Suite 4500 Dallas Texas 75201 United States
Solicitors to the Company as to English Law	Lawrence Graham LLP 4 More London Riverside London SE1 2AU United Kingdom
Solicitors to the Company as to Cayman Islands Law	Walkers Walker House 87 Mary Street George Town Grand Cayman KY1-9005 Cayman Islands

Solicitors to the Company as to US Law	Porter Hedges LLP 1000 Main Street Houston TX 77002 United States Samuel N. Allen 915 Franklin #7G Houston TX 77002 United States
Lawyers to the Company as to US Tax Law	Bracewell & Giuliani LLP 711 Louisiana Street Suite 2300 Houston Texas 77002-2781 United States
Solicitors to the Nominated Adviser and Joint Brokers	SNR Dentons LLP One Fleet Street London EC4M 7RA United Kingdom
Auditor to the Company	PricewaterhouseCoopers LLP 1201 Louisiana, Suite 2900 Houston Texas 77002-5678 United States
Depositary	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE United Kingdom
Registrar	Computershare Investor Services (Cayman) Limited The R&H Trust Co. Ltd. Windward 1, Regatta Office Park West Bay Road Grand Cayman KY1-1103 Cayman Islands
Financial PR	Buchanan Communications 107 Cheapside London EC2V 6DN United Kingdom
Website	www.fronteraresources.com

PART I

INFORMATION ON THE GROUP

1. BACKGROUND AND OVERVIEW

Frontera Resources Corporation, a Cayman Islands exempted company ("Frontera Cayman"), is a newly incorporated company that was established for the purpose of merging with, and into, Frontera Resources Corporation, a Delaware corporation ("Frontera Delaware").

As at the date of this document, Frontera Delaware is the parent company of the Group, which is involved in independent oil and gas exploration, development and production. Upon the Merger becoming effective, Frontera Cayman will become the parent company of the Group. Details of the corporate structure of the Group as at Admission, following the Merger having become effective, are set out in Part VII of this document.

On 28 June 2011, Frontera Delaware announced the following transactions:

(i) the conditional raising of approximately £6.8 million (US$11.0 million), before expenses, pursuant to the placing by Frontera Cayman of 115,678,351 new Frontera Cayman Shares with certain institutional and other investors, as well as through a subscription for 53,959,053 new Frontera Cayman Shares by an entity associated with Mr. Steve Nicandros (Chairman of the board of directors and Chief Executive Officer) and another senior executive of the Group (the "Equity Fundraising");

(ii) a debt restructuring comprising: (a) the exchange of any and all of the US$120,763,445 million, aggregate principal amount of issued and outstanding convertible loan notes due 2012 and 2013 in exchange for Frontera Cayman Shares, new convertible loan notes due 2016 or a combination of both; and (b) the conversion of management loans due to Frontera Delaware, representing 100 per cent. of the total amount of outstanding loans due to management (including accrued interest through to the date of Admission) into Frontera Cayman Shares (the "Debt Restructuring"); and

(iii) a redomicile of Frontera Delaware by way of merger with and into Frontera Cayman (the "Merger").

The Equity Fundraising, the Debt Restructuring and the Merger are referred to collectively in this document as the "Proposals." Further details of the Proposals are set out in Part III of this document.

As at the date of this document, the implementation of the Proposals remains subject to the satisfaction of certain conditions. Upon Admission occurring, the conditions to the Proposals will have been satisfied or waived and the Proposals will have been fully implemented.

In connection with the Proposals, on 28 June 2011, Frontera Cayman entered into a standby equity distribution agreement (the "SEDA") with YA Global Master SPV Limited, an investment fund managed by Yorkville Advisors LLC. Pursuant to the SEDA and upon completion of the Proposals, up to approximately £21.5 million (US$35 million) of additional equity investment, through the issue of Frontera Cayman Shares, will be made available to Frontera Cayman over a three-year period (subject to the satisfaction of certain conditions). A summary of the SEDA is set out in paragraph 11.9 of Part VII of this document.

Frontera Delaware is, and following the Merger Frontera Cayman will be, a holding company that carries out its activities through its subsidiaries. The Group's interest in Block 12 is held through its wholly owned subsidiary Frontera Resources Georgia Corporation ("Frontera Georgia"). Operations in Block 12 are conducted through an operating company, Frontera Eastern Georgia Limited (the "Operating Company"), which is jointly owned by Frontera Georgia and the Georgian state-owned national oil company, Georgian Oil and Gas Corporation ("GOGC"). The Group has its principal offices in Houston, Texas, United States and Tbilisi, Georgia. Core operations of the Group are currently in the country of Georgia, where the Group has operated since 1997.

The Group holds a 100 per cent. working interest in a production sharing agreement entered into with the government of Georgia and GOGC's predecessor, Saknavtobi, in June 1997, that gives the Group the exclusive right to explore for, develop and produce oil in a 5,060 km^2 area in eastern Georgia known as Block 12 (the "Block 12 PSA"). Further information on the Block 12 PSA is set out in paragraph 7 of this Part I and in Part VI of this document.

2. HISTORY OF THE GROUP

Frontera Delaware was founded in 1996 by a management team with extensive experience in the international oil and gas industry. The Group's strategy from inception has been to seek early opportunities in known hydrocarbon-bearing basins around the world where historic, political or economic conditions have caused significant oil and gas plays to be underdeveloped. The Group has focused its activities almost exclusively on the onshore Kura Basin, situated between the Caspian Sea and the Black Sea, first in the country of Azerbaijan and, since 2002, in the country of Georgia.

The Group's current activities are exclusively focused on the exploration and development of the large area associated with Block 12 in Georgia. The Group has invested approximately US$200 million to date in its research and operations in Block 12. This work, which was designed to identify reserve potential and develop those reserves, has principally involved: (i) the acquisition, processing and interpretation of new 2D and 3D seismic data; (ii) reprocessing of historic seismic and well log data; undertaking new and extensive geological field work; (iii) carrying out new reservoir engineering studies in some of the existing fields; (iv) performing workovers of existing wells; (v) drilling new wells; and (vi) upgrading existing production, transport and export facilities.

This work has focussed on two major geologic plays within Block 12: structural closures with Tertiary clastic reservoirs within the Basin and Cretaceous carbonate reservoirs in large structures along the northern basin margin. The well known and regionally developed Maykop Shale, of early Tertiary age, provides an active petroleum source. The Group has identified and high-graded an extensive inventory of existing oil fields and generated an inventory of high quality prospects for potential new field discoveries.

The Group has established or increased production from several fields with previous production from the Tertiary sandstones. The Group initially targeted the Taribani Field, and in 2000 drilled, tested and completed its first well on Block 12, entitled the Niko #1. This was the first new well drilled into the field using modern drilling practices. In 2007-08, the Group drilled and hydraulically fractured the Dino #2 and T-#45 wells, bringing the field into continuous production for the first time. In 2008-10, the Group focused on assets where the Tertiary reservoirs occur at shallower depths (the Company's "Shallow Fields Production Unit"), carrying out an extensive shallow drilling program at Mtsare Khevi Field, bringing that field into production, and a three-well drilling program at the Mirzaani Field, which has laid the groundwork for further development.

In addition to its field re-development work at the Taribani, Mtsare Khevi and Mirzaani Fields, the Group has actively pursued the development of new exploration concepts along the basin margin which it believes to contain significant hydrocarbon resource potential. The Group has identified and mapped two significant structures on the northern basin edge, in which both lower Tertiary clastics and (particularly) underlying carbonates of Cretaceous age are thought to be highly prospective. In 2006, the Group acquired a 3D seismic survey over one of these, the Basin Edge "C" prospect, and in 2007 commenced drilling the Lloyd #1 well. The drilling of that well was suspended in 2008 prior to tagging the Cretaceous section.

Further details of the results of the Group's work in Block 12 are set out in paragraphs 5, 6 and 7 of this Part I of this document. Further details of the Group's planned work program in Block 12 are set out in paragraph 10 of this Part I of this document.

3. AN OVERVIEW OF GEORGIA

Georgia is located on the international waters of the Black Sea bounded by Russia to the North, Turkey and Armenia to the South and Azerbaijan to the East.

Having been incorporated into the Soviet Union in 1921, Georgia declared its independence in April 1991. A new constitution was approved in August 1995, which reinforced a presidential democratic form of government, providing for a strong executive branch and a unicameral 235 seat parliament. Its current President, Mikhail Saakashvili, was elected by popular vote in January 2004 and succeeded Eduard Shevardnadze, who resigned from office in late 2003 under peaceful pressure from reformists. The current government comprises an alliance of the main political parties, which gained almost two-thirds of the vote in the parliamentary elections held in 2004. Since the election of President Saakashvili in 2004, significant progress has been made on law enforcement and economic reform, including collection of taxes, and a comprehensive privatisation policy is being implemented.

Georgia enjoys political and financial support from the United States and the European Union, has been a member of the World Trade Organisation since June 2000, and recently received positive assessment from the International Monetary Fund regarding its economic performance and fiscal position. The country has made substantial economic gains since 1995, achieving GDP growth and controlling inflation. GDP rose 6.4 per cent. in 2010 and the government is expecting additional growth of 5-7 per cent. in 2011, continuing at a similar growth rate long term with support from heavy investments into infrastructure and the services sector. Georgia has recently received a rating of B+ from both Standard and Poor's and Fitch.

Georgia is situated in a geologically favourable position at the western end of the oil rich geological province known as the Kura Basin. This basin extends eastward from Eastern Georgia into Azerbaijan and the Caspian Sea and is home to some of Azerbaijan's most prolific onshore and offshore oil fields. Fields in offshore Azerbaijan are now producing more than 600,000 bpd. During Soviet times, production of oil and gas in Georgia exceeded 70,000 bpd in 1981.

Georgia also holds a strategic position in the region for East-West transportation of oil and gas as it lies on the land bridge connecting Azerbaijan and the countries surrounding the Caspian Sea to the Black Sea and the Mediterranean Sea. Since the break-up of the Soviet Union in 1991, western oil companies such as ExxonMobil, BP, Royal Dutch/Shell and others have successfully entered the Caspian Sea region, committing billions of dollars to new exploration and production investments.

BP leads an international consortium that has invested in three major oil and gas pipelines passing through Georgia. BP has also made significant investment in an oil and gas terminal on the Black Sea port of Supsa and is pursuing deepwater exploration and production activities, adjacent to the southern border of Georgia, offshore of Turkey. Blake Oil and Gas Limited (formerly CanArgo Energy Corporation) is conducting oil and gas operations over an extensive portfolio of prospects in the onshore region of eastern Georgia located close to Block 12. Other entities are currently pursuing oil and gas ventures in onshore Georgia including Range Resources and Jindal Petroleum. Anadarko Petroleum and JKX Oil and Gas have also pursued deepwater offshore oil and gas exploration projects off the Georgian coast of the Black Sea. Major international companies, including Baker Hughes, Schlumberger and Weatherford, as well as other regional companies, represent the oil service industry in Georgia.

The Directors believe that all of the above factors have combined to create a more economically and politically stable region in which to invest. The development of an extensive transportation infrastructure has also helped the region to become increasingly attractive to foreign oil exploration and production companies by enhancing the economic viability of pursuing exploration and production projects in Georgia.

4. TECHNICAL REPORTS

Netherland, Sewell & Associates Inc. ("NSA"), a leading independent petroleum resources engineering firm, performed a review of the potential hydrocarbon resources associated with the Group's primary objectives for operations in Block 12. Specifically, in its report dated 20 September 2010, NSA reviewed various fields and prospects in the Group's Shallow Fields Production Unit, most notably the Mirzaani and Mtsare Khevi Fields (the "2010 NSA Report"). In its report dated 15 February 2005, NSA reviewed four of the twelve known oil-bearing horizons in the Taribani Field, two large exploration prospects located on the basin margin, being the Basin Edge B Prospect and the Basin Edge C Prospect, and various other selected exploration prospects within Block 12 (the "2005 NSA Report"). The 2010 NSA Report and 2005 NSA Report are referenced in Part IV of this document. The Group has committed to updating the Competent Person's Report, with respect to certain assets covered by the 2005 NSA Report, within 12 months following Admission.

In conducting its evaluations, NSA reviewed the drilling history, test and production data, regional geology, well logs, seismic data, reports and interpretive data supplied by the Group. NSA also conducted an independent analysis of key well logs and seismic data to define field and prospective areas and to assess the variability in reservoir parameters.

4.1 **2010 NSA Report**

A summary of the 2010 NSA Report is set out below:

Estimated gross (100 per cent.) original oil-in-place ("OOIP") and contingent oil resources for the Mirzaani, Mtsare Khevi, Nazarlebi, and Patara Shiraki fields:

	Gross (100 per cent.) Volumes (MMBBL)					
	OOIP			*Contingent Oil Resources**		
Field	*Low Estimate (1C)*	*Best Estimate (2C)*	*High Estimate (3C)*	*Low Estimate (1C)*	*Best Estimate (2C)*	*High Estimate (3C)*
Mirzaani Field	161.1	271.3	457.0	5.5	17.9	41.4
Mtsare Khevi Field	7.5	10.0	13.3	0.9	1.4	2.1
Nazarlebi Field	26.5	43.8	72.6	2.2	4.2	7.9
Patara Shiraki Field	15.8	25.8	42.3	0.8	2.0	4.1
Total	210.9	350.9	585.2	9.4	25.5	55.5

* Contingent oil resources exclude historic oil production.

Estimated gross (100 per cent.) original gas-in-place (OGIP) and contingent resources for the Mtsare Khevi Field:

	Gross (100 per cent.) Volumes (MMCF)					
	OGIP			*Contingent Gas Resources*		
Field	*Low Estimate (1C)*	*Best Estimate (2C)*	*High Estimate (3C)*	*Low Estimate (1C)*	*Best Estimate (2C)*	*High Estimate (3C)*
Mtsare Khevi Field	698	865	1,072	402	516	664

Estimated gross (100 per cent.) undiscovered OOIP and unrisked prospective oil resources for the Kakabeti, Lambalo, Mkralikhevi, Mlashiskhevi-Oleskhevi, Mtsare Khevi, Mirzaani Northwest Extension, and Tsitsmatiani prospects:

	Unrisked Gross (100 per cent.) Volumes (MMBBL)					
	Undiscovered OOIP			*Unrisked Prospective Oil Resources*		
Prospect	*Low Estimate*	*Best Estimate*	*High Estimate*	*Low Estimate*	*Best Estimate*	*High Estimate*
Kakabeti Prospect*	25.5	38.9	59.3	2.1	3.7	6.6
Lambalo Prospect	6.8	13.0	24.6	0.6	1.2	2.6
Mkralikhevi Prospect	9.4	12.9	17.6	0.8	1.2	2.0
Mlashiskhevi-Oleskhevi Prospect	3.9	6.5	11.1	0.3	0.6	1.2
Mtsare Khevi Prospect	3.8	4.9	6.4	0.5	0.7	1.1
Mirzaani Northwest Extension Prospect	182.7	270.4	400.3	15.0	25.9	44.7
Tsitsmatiani Prospect*	12.1	20.6	35.1	1.0	2.0	3.8
Total	244.2	367.2	554.4	20.3	35.3	62.0

* Volumes include only those quantities located within the Block 12 concession boundary.

Estimated gross (100 per cent.) undiscovered OOIP and risked prospective oil resources for these prospects:

	Risked Gross (100 per cent.) Volumes (MMBBL)					
	Undiscovered OOIP			*Risked Prospective Oil Resources*		
Prospect	*Low Estimate*	*Best Estimate*	*High Estimate*	*Low Estimate*	*Best Estimate*	*High Estimate*
Kakabeti Prospect*	25.5	38.9	59.3	1.1	1.9	3.3
Lambalo Prospect	6.8	13.0	24.6	0.3	0.6	1.3
Mkralikhevi Prospect	9.4	12.9	17.6	0.3	0.5	0.8
Mlashiskhevi-Oleskhevi Prospect	3.9	6.5	11.1	0.2	0.3	0.6
Mtsare Khevi Prospect	3.8	4.9	6.4	0.4	0.5	0.8
Mirzaani Northwest Extension Prospect	182.7	270.4	400.3	7.7	13.2	22.9
Tsitsmatiani Prospect*	12.1	20.6	35.1	0.5	1.0	1.9
Total	244.2	367.2	554.4	10.5	18.0	31.6

* Volumes include only those quantities located within the Block 12 concession boundary.

Estimated gross (100 per cent.) undiscovered OGIP and unrisked prospective gas resources for the Mtsare Khevi Prospect:

	Gross (100 per cent.) Volumes (MMCF)					
	Undiscovered OGIP			*Unrisked Prospective Gas Resources*		
Prospect	*Low Estimate*	*Best Estimate*	*High Estimate*	*Low Estimate*	*Best Estimate*	*High Estimate*
Mtsare Khevi Prospect	1,431	1,704	2,028	818	1,017	1,264

Estimated gross (100 per cent.) undiscovered OGIP and risked prospective gas resources for the Mtsare Khevi Prospect:

	Gross (100 per cent.) Volumes (MMCF)					
	Undiscovered OGIP			*Risked Prospective Gas Resources*		
Prospect	*Low Estimate*	*Best Estimate*	*High Estimate*	*Low Estimate*	*Best Estimate*	*High Estimate*
Mtsare Khevi Prospect	1,431	1,704	2,028	614	762	948

The figures contained in the tables set out above have been extracted from the introduction to the 2010 NSA Report, which is referenced in Part IV of this document. Prospective investors should read the whole of that report and should not rely solely on the information summarised in these tables. Investors should note that, in accordance with the terms of the Block 12 PSA, a proportion of the oil produced from Block 12 will accrue to GOGC and not the Group following cost recovery.

4.2 **2005 NSA Report**

A summary of the estimates made by the NSA, as set out in the 2005 NSA Report, is set out below:

Estimated gross (100 per cent.) original oil-in-place (OOIP) and possible reserves (P3) for four horizons in the Taribani Field covered by the 2005 NSA Report:

	Gross (100 per cent.) Volumes (MMBBL)	
Taribani Zones	*OOIP*	*Possible Reserves (P3)*
9, 14, 15 and 19	788.28	117.69

Estimated gross (100 per cent.) undiscovered OOIP and unrisked prospective oil resources for the Basin Edge B, Basin Edge C and certain other exploration prospects covered by the 2005 NSA Report:

	Undiscovered OOIP			*Estimated Ultimate Recovery*		
Prospect	*Most Likely/ Mode*	*Mean*	*High Side*	*Most Likely/ Mode*	*Mean*	*High Side*
Basin Edge B Prospect						
• Cretaceous	632	856	1,810	120	171	376
• Tertiary	799	1,115	2,488	115	168	375
Basin Edge C Prospect						
• Cretaceous	534	703	1,483	100	140	307
• Tertiary	515	675	1,432	74	102	220
Other	448	512	873	66	76	138
Total*	2,929	3,861	8,086	475	657	1,417

Notes:

* Totals may not add due to rounding.

The figures contained in the tables set out above have been extracted from the 2005 NSA Report, and is referenced in Part IV of this document. Prospective investors should read the whole of that report and should not rely solely on the information summarised in these tables. Investors should note that, in accordance with the terms of the Block 12 PSA, a proportion of the oil produced from Block 12 will accrue to GOGC and not the Group after cost recovery, and that the NSA Report also includes low side estimates for the prospective resources set out in the second table.

5. OVERVIEW OF THE GROUP'S KEY ASSETS

5.1 Block 12 Geological Setting

Block 12 is situated in the Kura Basin, which is a Late Tertiary back-arc feature located between the predominantly carbonate rocks of the Greater Caucasus Mountains and the volcanic rocks of the Lesser Caucasus Mountains. The basin was created from Alpine and Himalayan compression, which began in Early Eocene and peaked 22 million years later in Late Pliocene. The basin has been shaped by the collision, accretion and rotation that took place between the Eastern European Platform, the Arabian Plate and several micro plates. This activity resulted in the development of several structural elements that have provided the basis for oil and gas migration and trapping.

The main productive intervals of the basin are from the Tertiary section, consisting of Upper and Lower Pliocene, Upper Miocene and the Middle Eocene clastic intervals. Newly prospective reservoirs are considered to be the Oligocene clastic section as well as the Mesozoic clastic and carbonates associated with the Cretaceous period. The Oligocene Maykop shales are the principal source for oil and gas in the basin. Further details of the geologic history and characteristics of the subsurface comprising Block 12 are set out in the 2005 and 2010 NSA Reports referenced in Part IV of this document.

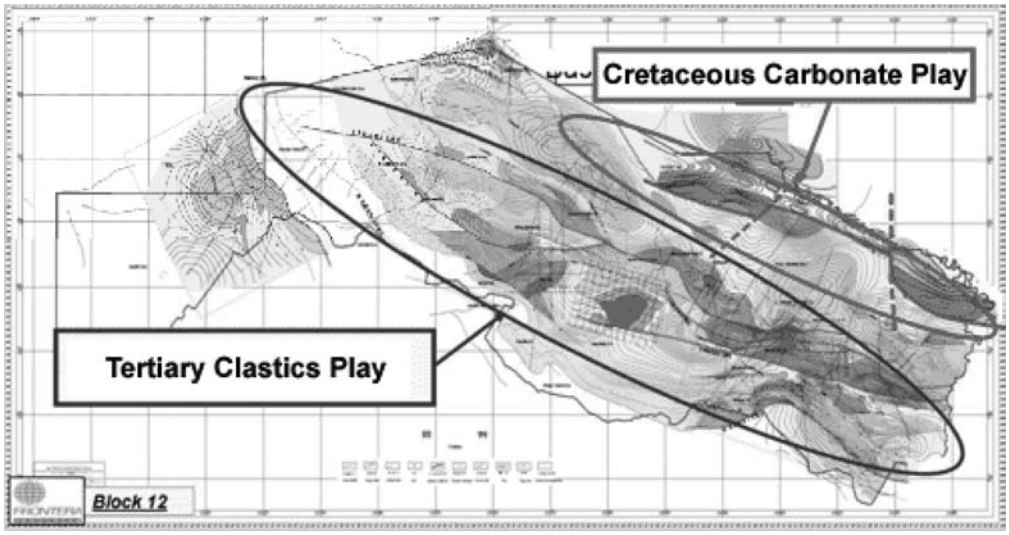

Figure 1: **Map of the Major Geological Plays within Block 12.**

The Group holds a 100 per cent. working interest in a production sharing agreement, entered into with the government of Georgia in June 1997, that gives the Operating Company the exclusive right to explore for, develop and produce oil in a 5,060 km^2 area in eastern Georgia known as Block 12. Further details of the Block 12 PSA are set out in paragraph 7 of this Part I and Part VI of this document.

Block 12 covers an extensive and underdeveloped oil and gas province containing eight known oil fields and numerous additional prospects for exploration and developmental exploration drilling. Building on the activities and studies carried out by Saknavtobi prior to the grant of the Block 12 PSA, the Group has focused its efforts on undertaking specific scientific studies designed to identify and high-grade opportunities for new drilling and potential commercial development.

The Group's work has resulted in a detailed understanding of the subsurface associated with Block 12 and the significant volumes of oil and gas that have been generated and trapped within it. From this work the Group has identified two major geological plays within Block 12 that it proposes to pursue to commercial development: the Tertiary clastic play in the main part of the basin (which includes the Taribani, Mtsare Khevi and Mirzaanii Fields) and the Cretaceous carbonate play along the northern basin margin (see Figure 1). Further details of these assets are set out below.

5.2 **Shallow Fields Production Unit (SFPU)**

The SFPU is the Company's business unit which concentrates on the re-development of a significant number of shallow, Tertiary oil fields, un-developed discoveries and undrilled prospects in the central portion of Block 12.

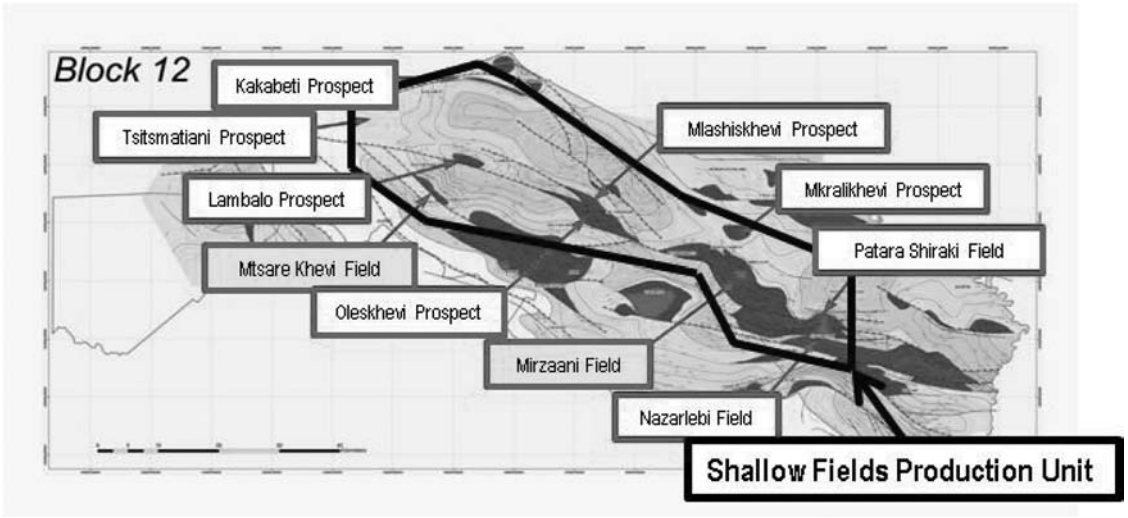

Figure 2: **Map of Block 12 showing the Fields and Prospects within the Shallow Fields Production Unit.**

This represents what the Directors believe to be an extensive trend of low-cost, undeveloped oil and gas resources trapped in Pliocene age reservoirs at depths from 100 meters to 1,500 meters. The area includes four known fields, which are undeveloped or underdeveloped; the Mtsare Khevi, Mirzaani, Nazarlebi and Patara Shiraki Fields, all of which were discovered prior to the grant of the Block 12 PSA. The area also contains an inventory of related prospects (Kakabeti, Lambalo, Mkralikhevi, Mlashiskhevi-Oleskhevi and Tsitsmatiani prospects), each of which contains Soviet-era wells that demonstrated hydrocarbon shows while drilling but were never placed on production or adequately appraised.

The SFPU forms the basis for the Group's important near-term production as well as for the augmentation of reserve additions. With relatively low cost wells, existing production infrastructure and attractive business economics, these shallow reservoir objectives provide an excellent opportunity for low-cost operations. The low-risk characteristics of these reservoirs make the SFPU and important complement to the Group's other, higher risk/higher reward areas of operation.

Mtsare Khevi Field

Located in the western portion of Block 12, the Mtsare Khevi Field consists of multiple objective reservoirs that are situated at depths between 200 meters and 1,100 meters.

From 1989 to 1994, Mtsare Khevi was partially delineated, but the field was never fully developed and only partially produced. In 2007, the Group conducted a field study that concluded the field contains significant undeveloped oil and gas potential.

Since 2008, the Group has been implementing a re-development plan designed to bring the field back to significant production levels. A well workover program was followed by a total of 18 new wells drilled into the Akchagil reservoir, situated at depths of approximately 200-400 metres, and frac completions have been used to improve well deliverability. A program to install Progressive Cavity pumps in the field, replacing the traditional sucker rod pumps, was completed in March 2011 and early results show a reduction in downtime and operating costs. Current production is around 75 barrels of oil per day from a total of 15 wells. 20 new well locations have been identified, targeting both oil and gas reservoirs and providing for some pressure support through three proposed water injection wells. A previously disclosed infrastructure project designed to initiate gas sales from shut in wells within the field is now on track for implementation.

The NSA (2010) independent assessment identifies approximately 15 million barrels of OOIP and 2.6 billion cubic feet of original gas in place ("OGIP") in the field (gross Best Estimate numbers). Primary oil recovery is again quite low, although gas recovery of about 60 per cent. is anticipated; NSA accordingly assigns 1.4 million barrels and 0.516 billion cubic feet as Best Estimate gross Contingent Resources, with an additional 0.7 million barrels and 1.017 billion cubic feet as the Best Estimate gross Prospective Resources (unrisked), in the northwest part of the field.

These assessments are generally consistent with the Group's internal estimates for the Akchagil formation, although the Group's estimates reflect additional resource potential along the northwest trend of the fault block, which NSA was not asked to evaluate.

Mirzaani Field

Located in the central portion of Block 12, the Mirzaani Field consists of multiple objective reservoirs that are situated at depths between 400 meters and 1,500 meters. Discovered in 1932, the field has produced approximately 7 million barrels of oil, but has largely remained undeveloped. The field currently produces good quality 27 to 32 degree API oil that is processed within the field's central facilities.

Based on field studies, the Group identified significant undeveloped and underdeveloped portions of the field for near-term development drilling.

In 2005, the Group acquired approximately 100 km of new seismic data over the field area as part of an effort to re-map and identify new potential associated with the field.

Field operations have been focused on maintaining oil production from the numerous low-productivity wells in the historically developed portion of the Mirzaani Field, which has produced 7 million barrels of oil since 1932, and is currently producing approximately 72 barrels of oil per day from a total of 119 wells. Meanwhile, the Group continues to evaluate results from its recent drilling operations, which discovered significant northwest (up-dip) and southeast (down-dip) extensions to the field. Ongoing analysis of results from the Mirzaani #1, #2 and #5 wells confirms the attractiveness of frac completions, which are expected to increase production rates and enhance the economic value of the field.

A successful multi-zone frac completion of the Mirzaani #5 well was conducted by Schlumberger in 2010, targeting the Pliocene (Shiraki Formation) reservoir Zones 13 and 16/17, at depths of 897-909 and 1,057-1,075 meters. Production testing of these co-mingled zones initially yielded oil at more than 100 barrels of oil per day, although increasing water production, probably from the deepest horizon, began to impair oil production and the well was temporarily suspended. A "bridge plug" will be installed to isolate the lower water zone which should allow production to resume. Based on results observed to date, 10 new well locations have been identified for exploitation of the undeveloped, up-dip northwest area of the Mirzaani field.

The Mirzaani Field is now recognised to be a large accumulation with over 270 million barrels of oil in place (gross Best Estimate numbers) independently assessed by NSA (2010), with a similar volume present in the NW extention to the field. Primary recovery factors are, however, quite low in the mainly low pressure reservoirs (around 10 per cent.) and NSA have assigned 17.9 million barrels as Best Estimate gross Contingent Resources for the main part of the field, with an additional 25.9 million barrels as the Best Estimate gross Prospective Resources (unrisked) in the northwest field extension area, which appears to be significantly higher pressure. The Group holds a 100 per cent. working interest in the field.

Patara Shiraki and Nazarlebi Fields

Located in the eastern portion of Block 12, the Patara Shiraki and Nazarlebi Fields consist of multiple objective reservoirs that are situated at depths between 10 meters and 1,200 meters.

During 2007, field studies concluded that significant undeveloped reserve potential of as much as 5 million barrels of recoverable reserves exists in oil bearing reservoirs within the Shiraki formation

at the Nazarlebi and Patara Shiraki Fields. These fields are situated adjacent to one another in Block 12.

In March and April 2008, a pilot project of ten wells were drilled to depths of approximately 100 meters in order to specifically target and produce known oil-bearing reservoirs in the Pliocene-age Shiraki formation lying updip from the highest known perforations in existing wells. These horizons are the main historical producing zones from the fields and can be accessed at depths as shallow as 10 meters. Previous development during the Soviet era overlooked oil at depths of less than approximately 300 meters. Field studies and the presence of existing natural oil seeps have revealed the presence of extensive undeveloped oil potential, at these shallow depths, of as much as 1 million barrels of recoverable oil reserves.

Results from the pilot project established the basis for an extensive, low-cost development program in these two fields. Drilling commenced in August 2008 and wells from this program are producing good quality 23-28 degree API oil.

5.3 Taribani Field

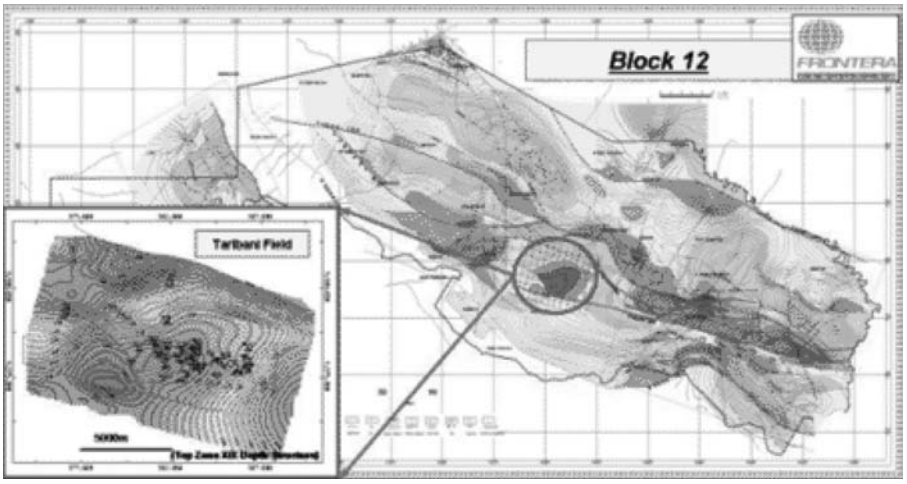

Figure 3: **Map of the Taribani Field Unit within Block 12.**

The Taribani Field is a large, under-developed oil field covering an area of approximately 80 km^2 on the southern side of Block 12, with up to 12 productive horizons situated in Pliocene and Miocene age reservoirs at depths between 2,200 and 3,500 meters. The field, which has been known since the 1930s, has been penetrated by 41 wells drilled during the Soviet era, but production has been very poor due to inadequate drilling and completion practices. Around 550,000 barrels have been produced from the field to date; current production is 38 barrels of oil per day from five wells.

The Group has acquired a significant seismic database over the field, including 2D and 3D data, and has drilled three new wells in the field as the initial steps in its re-development of this asset. The Dino #2 and T #45 wells were originally completed with first-generation fracs in the field, and these results along with analysis of more recent frac results from the nearby Mirzaani Field, have resulted in the re-design of future frac completions for the Taribani Field. Ten new well locations have been identified for the next campaign of development drilling, along with the re-entry and recompletion of the three Frontera-drilled wells, targeting reservoir Zones 9, 14 and 15.

Taribani is known to be a very large oil accumulation with around 788 million barrels OOIP independently assessed by NSA (2005) for Zones 9, 14, 15 and 19. Recoveries are expected to be somewhat higher in these deeper reservoirs and NSA (in its 2005 report referenced in Part IV of this document) assigns a 15 per cent. recovery factor, giving "Technical Possible Reserves" of 118 million barrels for the field, contingent upon declaration of commerciality and approval of a development plan, among other factors. Since NSA's 2005 report, additional prospective resources have been identified in an up-dip extension to the south-west of the main field. Internal estimates put this

extension at an additional 36 million barrels are assessed as unrisked Prospective Resources in five deeper zones in the field.

5.4 Other Exploration Assets

Basin Edge Carbonate Play

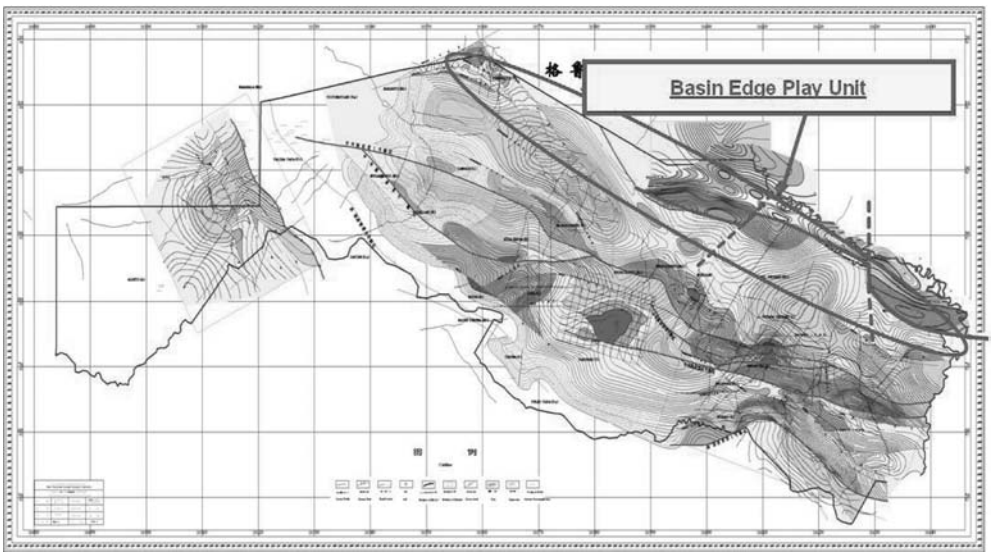

Figure 4: **Map of the Basin Edge Play Unit within Block 12.**

The Basin Edge B, and C Prospects are situated along the northern border of Block 12, within one of the newest and potentially most prolific exploration plays in the Upper Kura Basin (shown in the map below). These prospects are shown in the map above in green. Geochemical studies indicate that the Mesozoic carbonates along the basin margin may have been sourced from the Oligocene aged Maykop shale interval, where thickness can exceed 2,000 meters and total organic carbon can be as high as 11 per cent. The primary reservoir targets are located in the Jurassic and Cretaceous age carbonate rocks, with secondary reservoir targets in the Tertiary clastic rocks.

In 2005, NSA estimated total unrisked prospective resource potential to be in excess of 680 million barrels within the primary Cretaceous and secondary Miocene (Sarmatian) reservoir targets of two major prospects in the play ("B" and "C"). The Lloyd #1 well, drilled in 2007-2008 following acquisition of a 3D seismic survey, was designed to test the Basin Edge C Prospect but failed to reach the primary objective Cretaceous carbonate. Efforts are underway to seek a strategic partner for the continuation of exploration efforts in the play.

Shale Gas Play Unit

Since the completion of a study last year that resulted in the identification of significant liquids and gas prospectivity associated with the Maykop shales within Block 12, work has continued to advance this opportunity. Work to date has resulted in the identification of a prospective area encompassing approximately 2,000 km^2, where potentially significant quantities of natural gas and liquids could be exploited from the regionally present Oligocene-Lower Miocene age Maykop shales and Mesozoic age Liassic shales. Potentially similar to extensive natural gas shale plays in North America and Europe, study work to further define the play's prospectivity continues. The Group's internal estimates indicate over 1 trillion cubic feet of recoverable gas reserves and up to 500 million barrels of oil potential associated with the play. The next phase of planned work includes an independent assessment of these internal prospectivity estimates.

6. TRANSPORTATION AND SALES

6.1 Current arrangements

The Group has significant experience in transporting and marketing its crude oil from Block 12 and, prior to 2001, Azerbaijan. While the Group's level of production from Block 12 has been limited to date (approximately 225 bpd currently), this production has allowed the Group to develop reliable, efficient and safe infrastructure and systems to process, gather, store, transport and market its crude oil on an ongoing basis. Furthermore, the Group has also invested in the improvement of road, rail and transportation infrastructure situated in Block 12.

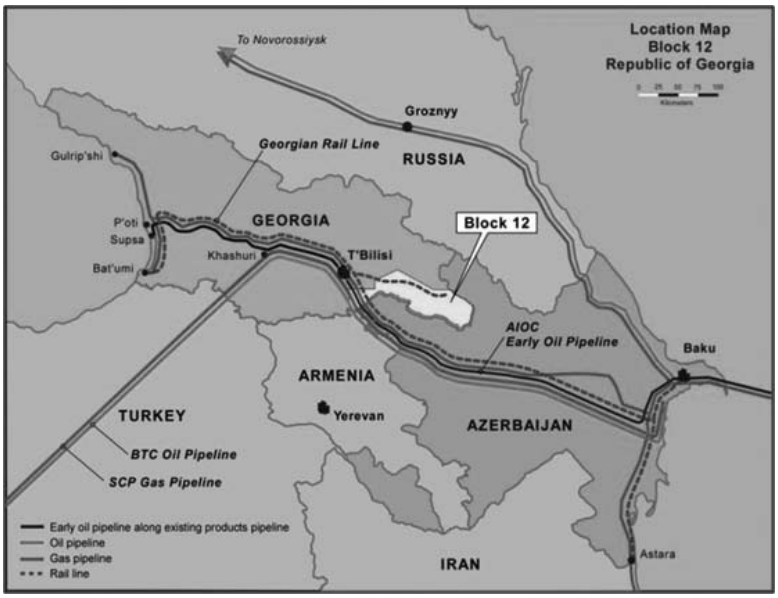

Figure 5: **Map of Block 12 showing transportation infrastructure.**

The Group operates a rail terminal and storage facility at Dedopliskaro, approximately 10 km northwest of the Mirzaani Field, which has a storage capacity of approximately 27,000 barrels and can discharge approximately 10,000 bpd. The Mirzaani Field is connected by a pipeline to Frontera's storage facility at Dedopliskaro with the capacity to transport up to 1,500 bpd. Oil from the Mirzaani Field is processed at the field facility then pumped through the pipeline or transported by truck to Dedopliskaro for storage. Oil produced at the Taribani Field and at the Mtsare Khevi Field can be taken by truck to the facility at Dedopliskaro or to the Mirzaani Field, should processing be required.

Once a sufficient amount of crude oil, usually in the range of 10,000 to 20,000 barrels, has been accumulated at Dedopliskaro and within field storage facilities, the Group arranges for the oil to be transported by rail to Batumi, a port on the Black Sea, where it is loaded into crude oil tankers destined for the international markets. Oil sales to date have been transacted F.O.B. at Batumi at an average discount to Brent of US$4 per barrel. This discount is attributable to the relatively small volumes and, to a limited extent, a quality differential to Brent. The Group receives payment for its oil in US$ into its offshore account.

The Group's costs of transporting and marketing its crude oil from Dedopliskaro, storing at Batumi and loading onto tanker ships has averaged approximately US$5 per barrel since 2008. The Directors believe that this cost would decrease as production volume from Block 12 increases. Furthermore, the volume discount to Brent at which the oil is sold should also decrease, and could be eliminated, as production increases. The Group receives payment for its oil in US$. There are no caps on commodity prices and no restrictions on the export of oil.

6.2 Future arrangements

The Group's existing transportation infrastructure is adequate for the volumes of oil currently being produced from Block 12. However, successful development of one or more of the projects being

targeted by the Group will require the current processing and transportation infrastructure within Block 12 to be upgraded. In particular the Group may seek to construct a pipeline from the Taribani Field to the storage and rail facility at Dedopliskaro, 27 km away, should future production volumes from the Taribani Field make such a project economically viable.

In addition, alternative transportation arrangements from Block 12 may become economically more advantageous as production levels increase. Block 12 is situated in a geographically favourable position for transporting oil to the world markets (see Figure 5 above) and, while there is no guarantee of availability, the following options are likely to be available to the Group in the future:

(i) ***Rail***

Depending on production levels from Block 12, the Group would have the option of continuing to use the railway as its primary source of transportation. Georgian Railways LLC, the State owned railway authority, is the operator of the railway system.

(ii) ***AIOC Early Oil Pipeline***

The 830 km AIOC Early Oil Pipeline runs from Baku, a port in Azerbaijan on the Caspian Sea, to the Black Sea port of Supsa in Georgia. The AIOC Early Oil Pipeline passes directly through Block 12 and is capable of transporting up to 100,000 bpd. The Company could potentially connect a pipeline from its operations in Block 12 directly into the AIOC Early Oil Pipeline for onward sale into the international oil markets of the Black Sea.

(iii) ***BTC Pipeline***

A BP led consortium operates the Baku-Tbilisi-Ceyhan ("BTC") oil pipeline connecting the Caspian Sea to the Mediterranean Sea. This pipeline became fully operational in 2006 and passes directly through Block 12. The pipeline stretches for 1,760 km and has the capacity to transport one million bpd. The Group could potentially access this pipeline for its future production.

(iv) ***SCP Gas Pipeline***

The 692 km South Caucasus gas pipeline ("SCP") has been constructed to transport gas from the Shah Deniz field in the Azerbaijan sector of the Caspian Sea, through Georgia, to the Georgia-Turkey border to serve customers in Azerbaijan, Georgia and Turkey. At full capacity, and after additional stages of development, it is envisaged that the pipeline will export up to 20 billion cubic metres of gas a year. At the Turkish border, the pipeline links up the Turkish-built extension joining SCP to the domestic supply grid at Erzurum. Construction of the SCP pipeline, built in the same corridor of land as the BTC pipeline through its passage in Georgia, was completed in 2006. The Group could potentially access this pipeline for its future gas production.

6.3 **Recent trends in sales and production**

During the six month period ended 30 June 2011, total crude oil production was 37,042 barrels. Crude sales totalled 31,688 barrels at an average net price to the Group of US$98.23 per barrel. Crude oil inventory was 9,174 barrels at 31 December 2010 and 13,998 barrels at 30 June 2011.

7. PRODUCTION SHARING AGREEMENT

The Group has the exclusive right to explore for, develop and produce oil in Block 12 pursuant to a 25 year PSA entered into on 25 June 1997 with the Government of Georgia (the "State") and GOGC's predecessor, Saknovtobi. The term of the Block 12 PSA comprises an exploration phase during which the Group's Georgia subsidiary, Frontera Georgia, will designate those areas of Block 12 from which it intends to develop and produce oil. The exploration phase expires on 13 November 2017. Save for any areas within Block 12 that Frontera Georgia has committed to develop and produce pursuant to the Block 12 PSA ("Development Areas"), Frontera Georgia must relinquish its rights to Block 12 at the end of this exploration

phase. The Block 12 PSA can be extended for the producing life of any Development Areas, up to a maximum period of five years.

Under the Block 12 PSA, Frontera Georgia agrees to procure the financing required to conduct the exploration and development operations and is entitled to recover its costs and expenses incurred in doing so from the petroleum produced from Block 12. Subject to approval of those costs by GOGC, Frontera Georgia is currently able to fully recover its cost and expenses from the oil produced from Block 12 ("Cost Recovery Crude Oil") prior to any share of the oil being given to GOGC.

The operational costs incurred by Frontera Georgia on a day-to-day basis, including costs relating to production, processing, transportation, administration, finance and tax, are recoverable in full from oil produced. The proportion of oil produced from Block 12 available for use as Cost Recovery Crude Oil decreases to 80 per cent. in respect of costs benefiting Development Areas and further reduces to 60 per cent. in respect of costs benefiting areas containing discoveries made prior to the grant of the Block 12 PSA.

Following recovery by Frontera Georgia of its costs and expenses from the Cost Recovery Crude Oil, the remaining oil, referred to as Profit Oil, is allocated between GOGC and Frontera Georgia in the proportion of 51 per cent. to GOGC and 49 per cent. to Frontera Georgia. With limited exceptions, taxes arising in respect of exploration and development operations are ultimately to be borne by GOGC from its share of the Profit Oil.

The State has agreed to provide extensive support and assistance to enable Frontera Georgia and the Operating Company to properly carry out its exploration and development operations, including gaining or granting access to pipelines, infrastructure and export points situated in Georgia. The State has further agreed to maintain the stability of the legal, tax, financial, mining and economic conditions affecting the Block 12 PSA and, if there is a change to the laws and regulations of Georgia which has a material adverse impact on the economic position of Frontera Georgia, to amend the terms of the Block 12 PSA to restore the status quo or indemnify Frontera Georgia for such losses.

The terms of the Block 12 PSA are summarised more fully in Part VI of this document.

8. REGULATORY ENVIRONMENT

8.1 Oil and Gas Law

The Law of Georgia on Oil and Gas dated 16 April 1999, as amended (the "Oil and Gas Law") governs matters relating to oil and gas exploration and development operations in Georgia. The Block 12 PSA pre-dated the Oil and Gas Law and was approved and authorised by a specific presidential order, and signed by the Ministry of Fuel and Energy of Georgia ("MoFE") and GOGC's predecessor by a mechanism of presidential delegation of authority.

The Oil and Gas Law provides for all pre-existing oil and gas agreements, including the Block 12 PSA, to be grandfathered into the Oil and Gas Law and obliges the State to ensure the protection of investors' rights under Georgian law.

8.2 Mineral licensing regime

At the time of execution of the Block 12 PSA, the exploration and production of oil and gas in Georgia was subject to the requirement to obtain a mineral licence from the State. Pursuant to the law in force at the date of the Block 12 PSA (the 1994 Georgian Law on Entrails (the "Law on Entrails")), the State agency authorised to issue a licence for exploration and production of oil was the Ministry of Environment and Natural Resources Protection (the "Ministry of Environment"). In accordance with the Law on Entrails, the Ministry of Environment issued the licence ("Mineral Licence") required to operate oil exploration activities in Block 12 to the Operating Company with effect from 22 August 1997. The subsequently enacted Oil and Gas Law grandfathered the Operating Company's Mineral Licence together with the PSA. Details of the terms of the Mineral Licence are set out in Part VI of this document.

8.3 **Regulatory regime under the Oil and Gas Law**

The Oil and Gas Law established a new regulatory framework implementing the State's oil and gas policy and the principles of the licensing regime. The Agency of Natural Resources of the Ministry of Energy of Georgia (the "Agency") is the exclusive representative of the State with regard to policy, regulatory and enforcement matters (including licensing). The Agency is the successor to the MoFE as regards matters relating to oil and gas, including the Block 12 PSA.

The role of the national oil company, GOGC, is to represent the State with regard to the commercial and operational interests of the State, including co-operations with international companies undertaking or seeking to undertake oil and gas projects in Georgia. Pursuant to the Block 12 PSA, GOGC is entitled to 51 per cent. of the Profit Oil produced from fields situated within Block 12.

9. THE PROPOSALS

A summary of the Proposals, comprising the Equity Fundraising, the Debt Restructuring and the Merger, is set out in Part III of this document.

10. USE OF PROCEEDS AND STRATEGY

The net proceeds of the Equity Fundraising and SEDA could provide up to approximately £26.8 million (US$43.5 million) of new funds for investment (approximately £5.3 million (US$8.5 million) after expenses from the Placing and up to approximately £21.5 million (US$35 million) from the SEDA). Initially, the net proceeds of the Equity Fundraising will be used to fund the commencement of the Group's next phase of planned development drilling campaigns, which are designed to increase oil and gas production and associated reserve bookings from the Shallow Fields Production Unit and the Taribani Field Unit. Assuming free cashflow from operations and/or availability of funds under the SEDA, the Group will continue to fund exploration drilling, at the Basin Edge Play Unit, as well as simultaneously advancing efforts to seek a strategic partner for ongoing exploration work associated with this asset. The Group will also continue the evaluation of the significant potential associated with the Shale Gas Play Unit.

Over the next 24 months, subject to the availability of the SEDA and the further matters referred to below, these work programs will include:

- *Shallow Fields Production Unit, Mtsare Khevi Field*: Commencement of a twenty-well drilling program and the installation of infrastructure designed to enable and initiate gas sales from currently shut-in gas wells;
- *Shallow Fields Production Unit, Mirzaani Field*: Commencement of a ten-well drilling program, the fracking of two existing wells, the workover and re-completion of another existing well, as well as the acquisition of new seismic data over the field;
- *Taribani Field Unit*: Commencement of a thirteen-well program, including re-completion of three existing wells and drilling of ten new wells;
- *Basin Edge Play Unit*: Completion of drilling operations at the existing Lloyd #1 well and the simultaneous advancement of efforts to conclude a strategic partnership for continued exploration; and
- *Shale Gas Play Unit*: Continuation of laboratory and field studies to evaluate potential prospectivity and commencement of efforts to conclude a strategic partnership for exploitation.

The Directors believe that the Group's work programs and overall strategy represent an exciting development opportunity for the above-mentioned assets within its portfolio. In particular, the Directors believe that the country of Georgia offers an attractive business environment for oil and gas exploration and development in light of the prevailing fiscal terms relating to the Production Sharing Agreement on Block 12 which include, *inter alia*, the absence of domestic caps on commodity prices or restrictions on oil exports. Also, the Group's assets are situated amongst a highly developed oil and gas transportation infrastructure, with three major oil and gas pipelines and a rail line passing through Block 12. In addition to the development work programs

outlined above, the Directors further believe there is significant exploration upside potential on the Block 12 portfolio, with any such exploration being potentially funded by anticipated operating cash flow from production and cost recovery, and with a potential for farm-out opportunities and strategic partnership investments.

The Directors believe that successful completion of the above-mentioned work programs could lead to the potential increase in daily production from current levels of approximately 225 bpd to as much as approximately 3,300 barrels of oil equivalent per day by the end of the first 12 months, and as much as approximately 5,100 barrels of oil equivalent per day by the end of 24 months. On this basis, assuming a net back price of US$100 per barrel, the indicated monthly revenues arising from these potential production increases, if achieved, would reach US$9.9 million by the end of the first year (US$50.4 million for the full year) after Admission and US$15.1 million by the end the second year (US$156.7 million for the full year).

Note: These figures are based on Frontera Delaware's internal estimates and numerous assumptions and have not been subject to external review or audit. These estimates constitute "forward-looking statements" as outlined previously in this document; actual outcomes are likely to vary materially from these estimates for the reasons outlined. These estimates do not constitute a revenue forecast and should not to be relied upon as such. The Group does not intend to comment further if there is any variation from these figures.

In this context, the Directors anticipate the Group would be self-funding within two years from production revenues and cost recovery contribution, assuming implementation of the Proposals and the results of the above-mentioned work programs being successful. New reserve reports are expected to be completed at milestone intervals throughout the planned work programs and Frontera Cayman is committed to completing an updated Competent Person's Report on the Group's assets within 12 months of Admission. It must be noted however, that there is no guarantee that the above-mentioned work programs will be successful and that daily production levels will increase as anticipated.

In addition to funding ongoing oil and gas operations, the net proceeds of the Equity Fundraising will also be applied to settling cash consideration of up to approximately US$0.6 million payable to certain shareholders unable to accept Frontera Cayman Shares in the Merger, as detailed in Part III of this document.

Implementation of the work programs outlined above assumes that sufficient funds will be available from a combination of the Equity Fundraising, the SEDA and operational cash flows. Frontera Cayman has entered into the SEDA, which may result in up to approximately £21.5 million (US$35 million) being available to it over a 36-month period and the drawdown of which is at Frontera Cayman's discretion, subject to certain conditions being satisfied from time to time. However, there can be no guarantee of the timing or availability of the drawdown of such funds. A summary of the SEDA is set out in paragraph 11.9 of Part VII of this document.

The availability of cash for investment generated from ongoing operations assumes positive outcomes from some of the planned drilling set out above. Operational developments may be more or less successful than planned and resulting cash flows may be greater than or less than currently anticipated. Accordingly, the Group may or may not have sufficient funds to complete all of the planned operations over the next 24 months.

If anticipated drawdowns of the SEDA are unavailable or are delayed, with only current resources and the new funds from the Equity Fundraising being available to the Group, the Directors intend to pursue the above-mentioned investment program on a lengthened timeline, while maintaining the same objectives. If this occurs, the Directors believe that successful completion of the planned work programs has the potential to increase daily production from current levels to as much as approximately 2,900 barrels of oil equivalent per day by the end of the first 12 months and as much as approximately 4,500 barrels of oil equivalent per day by the end of 24 months. It must be noted, however, that there is no guarantee that the above-mentioned work programs will be successful and that daily production levels will increase.

11. FINANCIAL INFORMATION, CURRENT TRADING AND PROSPECTS

The Company's historical financial information for the three year period to 31 December 2010 are referenced in Part V of this document. The following table sets out the key results for each period:

Year Ended	*31 December 2010 US$'000s*	*31 December 2009 US$'000s*	*31 December 2008 US$'000s*
Revenue – crude oil sales	8,257	4,125	4,840
Loss from operations	(52,828)	(17,963)	(69,751)
Net loss	(63,867)	(28,517)	(78,821)
Net Assets	(110,926)	(48,707)	(28,482)
Total production (bbl)	85,921	94,522	63,627

Results for the year ended 31 December 2010 reflect a net loss of US$63.9 million. This loss compares to a net loss of US$28.5 million for the fiscal year 2009. The increase in the net loss reported is due to a US$44.6 million impairment charge related to compliance with exploration and production ceiling test requirements. Revenues from crude oil sales for 2010 totaled US$8.3 million, compared to US$4.1 million during the same period in 2009. The increase was attributable to increases in sales volume in the 2010 period, as well as an increase in the price of Brent oil.

Results for the year ended 31 December 2009 reflect a net loss of US$28.5 million. This loss compares to a net loss of US$78.8 million for the fiscal year 2008. The decrease in the net loss reported is due primarily to a large ceiling test write-down during the twelve months ended 31 December 2008 in comparison to a much smaller adjustment required in the 2009 period. Revenues from crude oil sales for 2009 were US$4.1 million, a decrease of US$0.7 million from US$4.8 million during the same period in 2008. The decrease in revenues was due mainly to decreases in commodity prices in the 2009 period.

Trading update

On 28 June 2011, the Company released its annual results for the year ended 31 December 2010, which included, *inter alia*, the following statement:

2010 Final Results

- Results for the year ended 31 December 2010 reflect a net loss of US$63.9 million, or US$0.48 per share on a fully-diluted basis. This loss compares to a net loss of US$28.5 million, or US$0.31 per share for the fiscal year 2009. The increase in the net loss reported is due to a US$44.6 million impairment charge related to compliance with exploration and production ceiling test requirements.
- Revenues from crude oil sales for 2010 totaled US$8.3 million, compared to US$4.1 million during the same period in 2009. The increase was attributable to increases in sales volume in the 2010 period, as well as an increase in the price of Brent oil.

Recent Operational Highlights

- Mirzaani Field: Completed cleanout operations on multi-zone frac at the Mirzaani #5 well. Currently awaiting a packer to finalize completion of the well. Based on results from the Mirzaani #5 well, 10 new well locations have been identified and are planned for continued field development.
- Mtsare Khevi Field: Operations currently ongoing to systematically upgrade plunger lift pumps to progressing cavity pumps to increase oil production from the field's Zone I interval. Plans to initiate gas sales including infrastructure design and construction have been finalized. Twenty new well locations have been identified and are planned for continued oil and gas exploitation.
- Taribani Field Unit: Based on analysis of historical production results from the Dino#2 and T-#45 wells, 10 new well locations have been identified and are planned for ongoing exploitation at the Taribani Field.

- Basin Edge Play Unit: Completed new interpretations of reprocessed geophysical data related to the 'A', 'B' and 'C' prospects and advanced efforts to seek a strategic partner for continued exploration operations in this significant asset.
- Shale Gas Play Unit: Advanced study of significant potential oil and gas prospectivity related to the Maykop shales. Identified and designed work program for next phase of technical analysis.

Further detail on the recent operational performance of the Group is included in Paragraph 5 of this Part I. Performance of the Group since 28 June 2011 has remained consistent with management's expectations at the time of this update.

12. DIRECTORS

Details of the directors of Frontera Cayman (who will be the same as the directors of Frontera Delaware immediately prior to the Merger and who will continue to be the directors of Frontera Cayman following the Merger becoming effective and Admission), their roles and their backgrounds are as follows:

Steve Constantine Nicandros *(age 51), President and Chief Executive Officer, Chairman*

Mr. Nicandros has been the President and a director of Frontera Delaware since it was founded in 1996. He also became its Chief Executive Officer in 1997 and its Chairman in 2002. Mr. Nicandros was President and a member of the board of managers of Frontera Limited from July 1996 until its dissolution and replacement by Frontera Delaware. From 1994 until joining Frontera Limited, Mr. Nicandros was President of Conoco Overseas Oil Company, where he was responsible for Conoco's worldwide development of upstream new business and mergers and acquisitions. Between 1992 and 1994, Mr. Nicandros was Manager of Reserves Acquisitions and Asset Management, following which he became Manager of Upstream Commercial Development for Conoco Inc. He began his career in the oil industry in 1982 with Conoco Inc. Mr. Nicandros graduated from Southern Methodist University, Dallas, Texas in 1982 with a B.S. degree in political science. He currently serves as an Advisory Board Member at the Energy and Geoscience Institute at the University of Utah.

Stephen Edward McGregor *(age 62), Executive Director and Chief Financial Officer*

Mr. McGregor has been a director of Frontera Delaware since 2002. He chairs the audit committee of Frontera Delaware's Board and is a member of the compensation committee. Mr. McGregor has over thirty years of experience working in the US and international oil and gas industries. Previously Mr. McGregor has been Executive Vice-President and CFO of Key Energy Services, Inc., Senior Advisor at James D Wolfensohn, Inc., a global investment banking firm, President and co-founder of Pacific Century Group, L.L.C. and a partner and co-founder of the energy law practice of Skadden, Arps, Slate, Meagher and Flom LLP. Mr. McGregor also served as Deputy Assistant Secretary in the U.S. Department of Energy and as Counsel to the U.S. Senate Commerce Committee. Mr. McGregor earned a B.A. degree from Boston University and a J.D. from the College of William & Mary.

Andrew John Szescila *(age 64), Director*

Mr. Szescila has been a non-executive director of Frontera Delaware since February 1998 and is chairman of the compensation committee and a member of the audit committee. He was formerly the Senior Vice President and Chief Operating Officer of Baker Hughes Inc. until retirement in January 2004, having previously served as President of Baker Hughes Oilfield Operations and Senior Vice President of Baker Hughes Inc. since July 1997. Before 1997, Mr. Szescila was Vice President of Baker Hughes Inc. from 1995 and President of Hughes Christensen Company, B.J. Services International and Baker Service Tools. Mr. Szescila earned a B.S. degree from Mississippi State University.

Luis Eduardo Lopez-Giusti *(age 66), Director*

Mr. Giusti has been a non-executive director of Frontera Delaware since April 2005. He is a member of the Carlyle-Riverstone Advisory Board and recently served on the board of Alange Energy Corporation, a Canadian-based oil and gas exploration company. Mr. Guisti is also a member of the board of governors and

special adviser to the chairman of the Centre for Global Energy Studies in London. From 2000 to 2005 he was a non-executive director of Royal Dutch Shell. Mr. Giusti is internationally renowned as an advisor and commentator on global affairs and energy issues. He is presently a Senior Adviser to the Center for Strategic and International Studies, as well as a member of the advisory boards of the Energy Institute of the University of Houston, the Maguire Energy Institute of Southern Methodist University, and the Institute of Global Studies at George Washington University. He is also a member of the International Energy Agency's Expert Panel. Since 1976, Mr. Giusti has played a leading role in the development of the Venezuelan oil industry, becoming Chairman and CEO of Petroleos de Venezuela, S.A. in 1994, a post he held until 1999. Over his career, Mr. Giusti has received numerous accolades and awards including 1997 World Oil Executive of the Year and Latin American Oil Executive of the Decade.

13. SENIOR MANAGEMENT

Details of senior management, their roles and backgrounds are as follows:

Steve Constantine Nicandros*, President, Chief Executive Officer and Chairman of the Board of Directors of Frontera Delaware*

Information about Mr. Nicandros is set out in paragraph 12 of this Part I.

Stephen Edward McGregor*, Executive Director and Chief Financial Officer*

Information about Mr. McGregor is set out in paragraph 12 of this Part I.

Zaza Mamulaishvili *(age 47), Executive Vice President, Frontera Delaware and General Director, Frontera Eastern Georgia Limited*

Mr. Mamulaishvili has been the General Director of the Group's business in Georgia since 1997. He also serves as an Executive Vice President of Frontera Delaware. From 1991, until joining Frontera Delaware, Mr. Mamulaishvili was President of a privately held company MTA LTD, an exporter of Eastern European crude oil and metals to the international market. Between 2001 and 2003, Mr. Mamulaishvili was the President of the American Chamber of Commerce in Georgia. Mr. Mamulaishvili holds a medical degree from Tbilisi State Medical University.

Paolo Perricone *(age 58), Vice President, Exploration, General Manager, Exploration Services and General Manager, Block 12 Inventory Development Unit*

Mr. Perricone was named Vice President, Exploration, Frontera Delaware in June 2009, and General Manager, Exploration Services and General Manager, Block 12 Inventory Development Unit in January 2009. He joined the company in 2007 as Deputy Exploration Manager for Frontera Eastern Georgia Limited. Mr. Perricone has over 30 years of experience in the international oil and gas industry, including many years with Eni S.p.A. Mr. Perricone held several positions at Eni with responsibilities for well operations including logging acquisition and interpretation. Mr. Perricone is credited for discovering the Ashrafi Field in the Gulf of Suez. Mr. Perricone served as Eni's Exploration Manager for the Western Desert and was Technical Advisor for several exploration and development projects in the offshore Congo and the Astrakhan Field in Russia. Mr. Perricone also worked for the KPO consortium in advancing the first development phase of the giant Karachaganak Field in Kazakhstan. Mr. Perricone holds a Geology degree from the University of Pavia, Italy.

Paolo Pratelli *(age 70), Vice President, Operations and General Manager, Drilling Operations and Engineering Services*

Mr. Pratelli has almost half a century of experience in the oil and gas industry, holding a variety of managerial positions with various companies in onshore oilfield operations throughout the world, including Georgia, Kazakhstan, Egypt, Libya, Congo, Iran and Nigeria. Mr. Pratelli was named Vice President, Operations in June 2009. Mr. Pratelli joined Frontera Delawareas General Manager – Operations and Engineering, Frontera Eastern Georgia Limited in December 2005. Mr. Pratelli had previously served

Frontera Delaware as Operations Manager and then as Deputy General Manager in Georgia from 2000 to 2001. Prior to joining Frontera Delaware in 2005, Mr. Pratelli served as District Operations Manager of Agip KCO in Atyrau (Kazakhstan) for the Kashagan Project, one of the world's biggest oil fields discovered in the Northern Caspian Sea, from 2001 to 2005. From 1999 until 2000, Mr. Pratelli served as a drilling consultant with Halliburton Europe in Aberdeen (UK) and from 1995 until 1999 he served as Well Operations Manager with KPO (Agip, British Gas, Texaco, Lukoil joint venture) in Kazakhstan. Mr. Pratelli graduated from High Technical School in Siena (Italy), Chemistry Section (equivalent to a Bachelor Degree in Chemical Engineering) in 1959 and attended the University of Economics in Milan, Italy from 1962 to 1963. Mr. Pratelli is the author of several publications, including "Directional Drilling Technology from "Tilted Rig" By the Use of Computerized System" (World Oil, 1980), "Karachaganak Field: Wellhead Upgrading" (1998), and "Corrosion Survey on API C 90 Tubing Material, Down Hole Equipment and Wellhead on Karachaganak Field" (1998).

Nicolas J. Evanoff *(age 48), Senior Vice President, General Counsel and Corporate Secretary of Frontera Delaware*

Mr. Evanoff has been the Senior Vice President, General Counsel and Secretary of Frontera Delaware since September 2007. Prior to joining Frontera Delaware, he served as Vice President, General Counsel and Secretary of Transmeridian Exploration Incorporated, an independent oil and gas producer active in the Caspian Sea region, in both Kazakhstan and Russia. From 1997 to 2004, he held senior legal and executive positions with two international drilling contractors, Pride International Inc., where he was Vice President-Corporate & Governmental Affairs, and Transocean Inc., where he was Associate General Counsel and General Counsel, Asia & Middle East. Mr. Evanoff began his legal career with Baker Botts L.L.P. in Houston, Texas in 1992, where he practiced corporate and securities law. He holds a B.S. in Chemical Engineering from Texas A&M University and a J.D. from the University of Houston Law Center, and studied law at the University of Kiel in Germany under a Fulbright Grant. Mr. Evanoff is a member of the board of directors of the Houston World Affairs Council.

Terry Thoem *(age 65), Vice President, Health, Safety and Environment*

Mr. Thoem has served as Frontera Delaware 's Vice President, Health, Safety and Environment since January 2000. Mr. Thoem has more than 40 years of professional and managerial experience in the environmental, health and safety field working in 35 countries all over the world. This includes 23 years with Conoco Inc. where he served as Conoco's corporate environmental manager and upstream international HSE manager; 10 years with the US Environmental Protection Agency, and; 10 years of consulting for international energy companies.

During his career, Mr. Thoem also served leading roles in a number of global industry groups and trade organizations, including the International Oil and Gas Producers Association (OGP, formerly E&P Forum), SPE, API, and the Western Hemisphere EH&S Forum. He has worked closely with organizations such as Conservation International, Conservation Fund, WWF, and World Bank. He has degrees in Chemical Engineering (BS Iowa State University) and Environmental Engineering (MS University of Washington).

In 1999, Mr. Thoem founded Thoem and Associates, an Environmental, Health and Safety (EH&S) consultancy firm. He maintains this practice in addition to his duties at Frontera.

Elizabeth F. Williamson *(age 53), Vice President, Business Development, Investor Relations and Corporate Communications*

Ms. Williamson joined Frontera Delaware in July 2006 with over 25 years of experience in the energy business. She began her career as a landman in 1980 with Conoco Inc. and until 2004 she held numerous positions in diverse aspects of the domestic and international land and acquisitions discipline with Conoco Inc. and, later, ConocoPhillips. Ms. Williamson served as the Director of Acquisitions and Government Affairs for Upstream Europe/Russia from 1990 to 1995. She was named Executive Assistant to the President and CEO (and, later, Chairman) in 1995 where she managed various aspects of the split off from Dupont and the initial public offering of Conoco Inc., including the formation of a new board of directors and the development of corporate governance and other policy procedures. In this role, she was also active in

participating in the evaluation of mergers and acquisitions and other growth opportunities and led various business development and lobbying activities around the globe, with particular emphasis in Africa and the Middle East. In 2002, she became Vice President, International Government Affairs and later managed Stakeholder Engagement for ConocoPhillips' Liquefied Natural Gas efforts which concentrated on the permitting and community/government acceptance of various re-gas terminals, both domestically and internationally. After leaving ConocoPhillips in 2004, Ms. Williamson consulted for various oil and gas interests as well as Airbus, North America. Ms. Williamson received a BA in Business Education from the University of Oklahoma and graduated from the University of Virginia's Darden Graduate School of Business Administration's Young Managers' Program.

Gerard Bono *(age 62), Vice President and Chief Reservoir Engineer*

Mr. Gerard (Jerry) Bono is responsible for Frontera Delaware's reservoir management and serves as primary liaison with Frontera Delaware's reserves auditor. Mr. Bono, who joined Frontera Delaware in 2006, has over 35 years experience working in the oil and gas industry in such locations as the Gulf of Mexico area (both onshore and offshore), California, Alaska, Texas, Venezuela, Colombia, Chile, Peru, Libya, Indonesia and Georgia. In 1971, Mr. Bono began his career at USGS (now MMS) in Metairie, Louisiana, and went on to hold such positions as Senior Reservoir Consultant for Intercomp Resource Development; Regional Manager for Sierra Geophysics; Business Development Manager for Petroleum Geoservices; and Vice President of Engineering for Restech. Mr. Bono has extensive technical experience in reservoir simulation, well test analysis and analytical production analysis, and is an active member of the Society of Petroleum Engineers. He holds a B.S. in petroleum engineering from Louisiana State University.

14. EMPLOYEES

With the exception of a small administrative office in Houston with seven employees, including the Group's Chief Executive Officer and three other members of senior management, the Group's management team is based principally in Tbilisi, Georgia. Zaza Mamulaishvili is General Director of the Group's operations in Georgia and also serves as Executive Vice President of the Group. Two other senior managers of the Operating Company, Paolo Pratelli, General Manager, Drilling Operations and Engineering Services, and Paolo Perricone, General Manager, Exploration Services, also serve as Vice President, Operations, and Vice President, Exploration, respectively, of the Group.

As at 31 December 2008 the Group had 217 employees, as at 31 December 2009 the Group had 215 employees and as at 31 December 2010 the Group had 210 employees. The Group does not have a significant number of temporary employees. At present, the Operating Company employs over 185 people in Georgia to undertake daily operations relating to Block 12. These employees include geologists, geophysicists, engineers, database managers, exploration and production field workers, accountants and other administrative and logistics employees. These employees report to their respective divisional managers, being either the exploration, operations, finance or logistics managers, who in turn report to Mr. Mamulaishvili.

The majority of the employees of the Operating Company were previously employed by GOGC's predecessor and therefore have extensive knowledge and experience of the Georgian oil industry and of Block 12.

15. OPTIONS AND WARRANTS AND OTHER CONVERTIBLES

15.1 Options

At the date of this document, there are outstanding employee options to purchase, in aggregate, 14,850,389 Frontera Delaware Shares. At the time the Merger becomes effective such options will immediately vest (to the extent not already vested) and become exercisable for an equivalent number of Frontera Cayman Shares. Further details of the terms of the Share Option Plans are set out in paragraph 4 of Part VII of this document.

15.2 **Warrants**

As at the date of this document, there are 50,135,169 warrants outstanding to purchase an aggregate of 50,135,169 Frontera Delaware Shares. The warrants will remain in place following the Merger becoming effective and will become exercisable for Frontera Cayman Shares; however, as a result of the implementation of the Proposals and the effect of anti-dilution provisions applicable to certain warrants, an additional 153,977,880 Frontera Cayman Shares will be issuable upon exercise of the warrants. In connection with the Placing, certain advisers to Frontera Cayman are being issued warrants to purchase an aggregate of 12,558,307 Frontera Cayman Shares. Further details of the terms of the warrants are set out in paragraph 4 of Part VII of this document.

15.3 **Convertible loan notes**

Frontera Delaware issued the 2012 Notes in May 2007 and the 2013 Notes in July 2008. In connection with the Exchange Offer, US$103,382,861 (through to 2 August 2011) aggregate principal amount of these Old Notes are being exchanged for 1,593,853,570 Frontera Cayman Shares and US$18,058,376 aggregate principal amount of 2016 Notes. Following the Exchange Offer, US$241,040 2012 Notes and nil 2013 Notes will remain outstanding. Further details of the terms of the convertible notes are set out in paragraph 4 of Part VII of this document.

16. DIVIDEND POLICY

Frontera Delaware has never declared any dividends. Given the Group's growth strategy, the scale of opportunities which the Directors believe are available to the Group and the capital intensive nature of oil and gas development, any cash generated by the Group's operations in the short to medium term will be invested in the Group's exploration, development and production programs. Accordingly, the Directors do not expect that the Company will pay a dividend in the initial years following Admission. The Directors will review the appropriateness of its dividend policy as the Group develops.

17. CREST, SETTLEMENT AND DEALINGS

The Articles permit the Company to issue shares in uncertificated form and contain provisions concerning the transfer of shares which are consistent with the transfer of shares in uncertificated form under the CREST Regulations. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. CRESTCo is unable to take responsibility for the electronic settlement of shares issued by companies incorporated in certain non-UK jurisdictions, including companies, such as the Company, which are incorporated in the Cayman Islands. Securities in overseas companies cannot generally be held or settled electronically in the CREST system.

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

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

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

Admission is expected to take place and unconditional dealings in Frontera Cayman Shares is expected to commence on AIM at 8.00 a.m. on 2 August 2011. It is expected that definitive share certificates for Frontera Cayman will be posted by 16 August 2011.

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

Further details of the settlement arrangements as a result of the implementation of the Proposals are set out in Part III of this document.

18. EFFECTS OF A CAYMAN ISLANDS DOMICILE

Frontera Cayman is an exempted company incorporated under the Cayman Islands Companies Law. Law and practice in the Cayman Islands relating to companies is not the same as English law applicable to public limited companies, or those laws which may have been applicable to Frontera Delaware, as a corporation subject to Delaware law. The Directors, as directors of Frontera Delaware, have historically taken and intend in the future, as the directors of Frontera Cayman, to take such action when they consider it practicable and appropriate to meet United Kingdom standard practice.

Unlike English law, Cayman Islands law does not mandate pre-emption rights under which companies issuing new shares for cash must generally offer them to existing shareholders unless shareholders have given authority for them not to do so. The Articles also make no provision for any such rights. Where circumstances permit, the Directors intend to consult with the Company's Nominated Adviser and broker at the time of each proposed offering of new Ordinary Shares or preferred shares for cash, as to whether shareholders should be provided with the opportunity to participate in such offering (and where it would be customary for a company incorporated in the United Kingdom and admitted to AIM to provide such a right).

In addition, under Cayman Islands law, if a person offers to acquire all of the issued and outstanding shares in the capital of a Cayman company that that person does not own, and receives acceptances in respect of 90 per cent. of such shares, the remaining 10 per cent., may be acquired by a compulsory acquisition procedure. The offeror must receive the required level of acceptances within four months of the date of the original offer, and the compulsory acquisition process must be completed within a further two months. There are limited opportunities for minority shareholders to dissent.

Further, Cayman Islands law provides for a statutory merger procedure that permits a Cayman Islands company to merge or consolidate with another company, wherever domiciled. A merger or consolidation that is approved by a special resolution of shareholders will be binding on all shareholders of the Cayman company. Limited appraisal rights are available to dissenting shareholders.

With the approval of three quarters in value and a simple majority in number of those who attend and vote at a meeting called for the purpose, a Cayman company may apply to court to sanction a scheme of arrangement pursuant to which a Cayman company may merge, amalgamate or consolidate with another company. With the necessary approval of shareholders and the sanction of the court, a scheme of arrangement is binding on all shareholders and there are no appraisal rights. Delaware law does not provide an equivalent procedure to the scheme of arrangement.

19. TAKEOVER CODE

A takeover of the Company would not be subject to the UK City Code on Takeovers and Mergers, as such does not apply to the Company. The Articles do not contain any provisions equivalent to the UK City Code on Takeovers and Mergers.

20. CORPORATE GOVERNANCE

The Cayman Islands does not have a statutory corporate governance regime and the duties and standards of conduct applicable to the directors of Cayman companies are governed by common law; however, the Directors intend to take account of the requirements of the UK Corporate Governance Code and the QCA Guidelines, to the extent they consider it appropriate having regard to the size, stage of development and

resources, of the Group and the fact that the Company is incorporated in the Cayman Islands rather than the United Kingdom. The Company will hold regular board meetings. The Directors will be responsible for formulating, reviewing and approving the Group's strategy, budget, major items of capital expenditure and senior personnel appointments. The Directors, through Frontera Delaware, have established audit and remuneration committees and will utilise other committees as necessary in order to ensure effective corporate governance. The Board has delegated specific responsibilities to the committees referred to below.

The audit committee

The audit committee will comprise Messrs. McGregor and Szescila. The audit committee will have primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported on. In addition, it will receive and review reports from the Company's management and auditors. The audit committee will meet at least once a year and will have unrestricted access to the Company's auditors.

The remuneration committee

The remuneration committee will comprise Messrs. McGregor and Szescila. The remuneration committee will, *inter alia*, determine the remuneration of the executive directors and grant share options and any other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The remuneration committee will meet at least once a year.

21. TAXATION

Information regarding taxation is set out in paragraph 10 of Part VII of this document. These details are intended only as a general guide to the current tax position in the Cayman Islands, United States and the United Kingdom. If an investor is in any doubt as to his or her tax position, or is subject to tax in a jurisdiction other than the Cayman Islands, the United States or the United Kingdom, he or she should consult his or her own independent financial adviser immediately.

22. FURTHER INFORMATION

Your attention is drawn to Part II of this document which contains certain risk factors relating to any investment in the Company and to Parts III to VII of this document which contain further additional information on the Group.

PART II

RISK FACTORS

An investment in the Company may not be suitable for all recipients of this document and involves a higher than normal degree of risk. Before making an investment decision prospective investors are advised to consult an investment adviser authorised under the Financial Services and Markets Act 2000 (as amended), who specialises in investments of the kind described in this document. Prospective investors should consider carefully whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them.

Prospective investors should also note that the publication of this document will not, under any circumstances, imply that there has been no change in the affairs of the Company since the date of this document or that the information in it is correct as of any time subsequent to that date. Before deciding whether to invest in Ordinary Shares, prospective investors should consider carefully the risks described below together with all other information contained in this document.

The risk factors described below may not be exhaustive. Additional risks and uncertainties relating to the Group that are not currently known to the Directors, or that are currently deemed immaterial, may also have an adverse effect on the Group's business. If this occurs the price of the Ordinary Shares may decline and investors could lose all or part of their investment.

A. RISK FACTORS RELATING TO GEORGIA

Political and social

The Group's oil and gas projects are located in Georgia.

Georgia is an independent country that was part of the Soviet Union until 1991. Consequently, its legal and tax systems, as well as its economic, political, regulatory and foreign investment policies and programmes, are still developing. As a result, the Group may be subject to material political, social, economic and other risks, including, but not limited to, currency instability or non-convertibility, high rates of inflation, royalty and tax increases, changes in policies or laws governing foreign ownership and the operations of foreign-based companies. Whilst the country has been committed to actively pursuing a programme of economic reform and inward foreign investment designed to establish a free market economy, there can be no assurance that such reforms and other reforms will continue or be successful.

Following a peaceful revolution in December 2003, a new democratic government was elected comprising a coalition of the major political parties. The country's current President, Mikheil Saakashvili, was elected by popular vote in January 2004 and re-elected, for his second term, in 2008. Although Georgia is enjoying a period of relative political stability, and the governing parliamentary coalition elected in 2004 retains a majority, there can be no guarantee that the political parties and factions in Georgia will continue to work together and agree on material policy decisions.

Furthermore, Georgia may experience the effects of existing disturbances or hostilities in surrounding regions such as Abkhazia, South Ossetia and Adzharia, in addition to the effects of regional policies of neighbouring countries such as Russia, Iran, Armenia and Turkey. In 2008, Georgia became engaged in a brief armed conflict with Russia over two break-away regions, South Ossetia and Abkhazia. Following an internationally sponsored ceasefire, both South Ossetia and Abkhazia were recognized as independent countries by Russia and have largely remained *de facto* separated from Georgia's jurisdiction, with a substantial Russian military presence on their territories. While the Group's assets are not located on or near to areas within Georgia that have been involved in such disturbances or hostilities, Georgia could be affected by military action taken in the region, and the effect such military action may have on the Georgian economy, political stability of Georgia, or the business, operations and prospects of the Group cannot be predicted.

Block 12 PSA and Mineral Licence may be subject to legal uncertainties

The Group's principal business and assets are derived from the Block 12 PSA and the Mineral Licence. The legislative and procedural regimes governing PSAs and mineral use licences in Georgia have undergone a series of changes in recent years, including the introduction, in 1999, of a new Oil and Gas Law governing such agreements. As the Block 12 PSA and Mineral Licence pre-dates the new Oil and Gas Law, they were granted to Frontera Georgia pursuant to a presidential decree in accordance with the practice of that time. Despite references in the current legislation grandfathering the terms and conditions of the Block 12 PSA, confirmation from the Agency that the Block 12 PSA has been grandfathered into the Oil and Gas Law and the stabilisation provisions in the Block 12 PSA, conflicts between the interpretation of the Block 12 PSA and Mineral Licence and then existing, current or future legislation, including, but not limited to, any new Oil and Gas Law and the new tax code effective 1 January 2011, may exist or could arise. Such conflicts, if and to the extent that the Group, the State and/or the Agency were to dispute them, could adversely affect the Group's rights under the Block 12 PSA.

Other legal uncertainties

In addition, the laws and regulations of Georgia relating to foreign investment, petroleum, sub-soil use, licensing, companies, tax, customs, currency, banking and anti-monopoly are still developing and, in some cases, uncertain. Many such laws provide substantial discretion in their application, interpretation and enforcement. Accordingly, the best efforts of the Group to comply with applicable laws may not always result in compliance.

Although Georgia has made significant progress on the reform of its judiciary, the judicial system may not be fully immune from outside social, economic and political forces. Court decisions can be difficult to predict and senior officials of the Government of Georgia may not be fully immune from outside economic forces. The rights of the Group under the Block 12 PSA, its exploration and production licences and other agreements may be susceptible to revision or cancellation, and legal redress in relation to such revocation or cancellation may be uncertain.

Title to land

As Georgia has privatised a large part of its state-owned agricultural and non-agricultural land holdings, there may be other private users present on Block 12 who have surface land rights to the area. To date, the rights of these other land users have not prevented or restricted the Group from operating its business. There can be no guarantee, however, that in the future the surface rights of other land users will not conflict with the Group's rights, which could restrict its ability to carry on its operations and could naturally adversely affect the business and the results of its operations.

Currency fluctuation

Whilst the Group has not historically held or been required to hold a substantial amount of Laris, this might not always be the case in the future. To the extent that, the Company (following the Merger and Admission) or any of its subsidiaries or affiliates is required to hold Laris currency positions, there is a risk from foreign exchange fluctuations. Most of the financial obligations of the Group are in US$ and, consistent with practice in the oil and gas industry, the financial statements of the Group are reported in US$. If the exchange rate of the Laris fluctuates substantially, or the rate of inflation in Georgia materially increases, historic financial statements of the Group may not accurately reflect the US$ value of its assets or operations.

The Group cannot assure prospective investors that the Laris will not depreciate against the US$. Further, the Group cannot assure investors that the Laris will continue to be freely exchangeable into US$ or that the Group will be able to exchange sufficient amounts of Laris into US$ to meet any foreign currency obligations.

Tax

The State has made substantial progress in transforming its tax system into a system that is simplified, more transparent and easier to administer, and a new tax code came into effect on 1 January 2011. As noted above,

pursuant to the terms of the Block 12 PSA, Frontera Georgia is not required, with certain limited exceptions, to pay taxes in Georgia. However, there is a risk that some provisions the new tax code may not be consistent with the provisions of the Block 12 PSA and that the relevant government bodies may interpret those provisions in the Block 12 PSA differently and apply conflicting tax code provisions. The resulting effect on the tax liability of the Group could have a material adverse effect on the financial position of the Group.

B. RISK FACTORS RELATING TO THE BUSINESS OF THE GROUP

Current operations dependent on success of identified fields and prospects

The Group's interests in Block 12 are at an early stage of development. The results of the Group's planned development activities may not lead to the Group developing a sustainable business. The wells the Group has drilled to date have not produced sufficient quantities of oil or gas to enable the Group to operate profitably. There can be no assurance that the wells the Group plans to drill on Block 12 will discover or produce commercially viable quantities of oil or gas to enable the Group to operate profitably or to enable investors to recover their investments.

Prior to 2009, the Group directed substantially all its development efforts and most of its available development funds to the Taribani Field Unit. This decision was based on management's assessment of its potential. Since 2009, the Group's efforts shifted to development of the Mirzaani and Mtsare Khevi Fields in the Shallow Fields Production Unit, primarily due to limited availability of funds for development activities. However, these efforts have resulted in overall losses. The Company's development plans for the Shallow Fields Production Unit and Taribani Field Unit may not be successful. For example, the fields may not produce sufficient quantities of oil and at sufficient rates to justify the investment made and planned to be made in the fields, and the Company may not be able to produce the oil at a sufficiently low cost or to market the oil produced at a sufficiently high price to generate a positive cash flow and a profit. The Company cannot accurately predict the life or production levels of its wells.

The Group also devoted significant efforts and funding to exploration activities in the Basin Edge Play Unit prior to 2009. Prospects in the Basin Edge Play Unit are speculative, and no producing oil fields have yet been discovered. The availability of data and the results of the Group's development activities may not be an accurate predictor of the Group's exploration success.

Working capital and financial position

The Group's consolidated financial statements for the fiscal year ending 31 December 2010 contain an explanatory paragraph regarding the Group's ability to continue as a going concern in the report of the independent auditors.

The Group has incurred net losses and negative cash flows from operations in most fiscal periods since inception. Based on the Group's current operating plan and as outlined in the Company's financial results issued on 28 June 2011, should the Proposals not be successfully completed and additional sources of financing not be otherwise made available to the Group, its existing working capital will not be sufficient to meet the cash requirements to fund the Group's planned operating expenses and capital expenditures through to 31 December 2011.

In the event that the Proposals do not complete successfully, a failure to generate sufficient operating cash flows, raise additional capital or further reduce spending going forward could have a material adverse effect on the Group's ability to continue as a going concern and to achieve its intended business objectives. There can be no assurance that sufficient revenues will be generated in the future to sustain the Group's operations.

Funding requirements for long-term development plans

The Group requires a significant amount of funding in order to maintain its operations, carry out its proposed field development programme, pursue its strategy of exploration, meet its liquidity needs and service its debt obligations.

It will take several years and substantial capital expenditure to develop fully the Group's prospects in Block 12. Generally the Group has the principal responsibility to provide financing for its programmes under the

Block 12 PSA. Accordingly, the Company will likely need to raise additional funds from outside sources in order to pay for project development costs. The Company may not be able to obtain that additional financing or such funds may only be available on commercially unattractive terms. If adequate funds are not available, or if the Group's operations do not generate sufficient cash flow, the Group will be required to scale back or suspend its operations. The carrying value of the fields and prospects identified in Block 12 may not be realised unless additional capital expenditures are incurred.

Furthermore, additional funds will be required to pursue exploration activities on its existing unexplored properties, including the Basin Edge Play Unit. Although the Group is currently seeking a strategic partner for the continuation of its exploration efforts at the Basin Edge Play Unit, there can be no assurance that any such strategic partner will emerge or the terms upon which a strategic partner might be engaged. Without further exploration work and evaluation, the funds needed to fully develop all of the Group's oil and gas properties cannot at present be quantified.

The Group currently has, and may further incur, significant additional financial indebtedness in the future. This may affect the operations of the Group and have significant consequences for prospective investors in a number of ways. For example, the Group may be forced to dedicate a substantial portion of its cash flow to repayments of its indebtedness, thereby reducing the cash available to fund working capital, capital expenditure and for other general corporate purposes. It may limit the ability of the Group to borrow additional funds, which in turn may restrict its ability to pursue its business strategy. In addition, it might limit the flexibility of the Group in planning for, or reacting to, change and make it more vulnerable to a downturn in the industry or the economy generally.

SEDA availability

Frontera Cayman has entered into the SEDA, which subject to Admission provides up to approximately £21.5 million (US$35 million) of additional equity investment through the issue of Frontera Cayman Shares over a 36-month period. The amounts available under the SEDA are dependent on, among other things, the average trading volumes for the Frontera Cayman Shares on the AIM and the shares trading at a price acceptable to Frontera Cayman. There can be no assurance that trading volumes or prices will be sufficient to ensure more than minimal draws under the SEDA and there may therefore be insufficient funds to achieve the stated strategy within the intended timetable.

Asset concentration

Generally, risk is reduced through diversification. Diversification for an oil and gas exploration and production company can be achieved by operating in a number of countries and drilling a large number of wells over a large area of prospects having different geological characteristics. The Group will, for the time being, continue to focus its activities in Georgia and anticipates drilling a relatively limited number of wells in the area of Block 12. Although successfully identifying and high-grading specific prospects is an important aspect of an effective exploration strategy, the drilling and development programme will have only a relatively limited amount of diversification with a correspondingly higher degree of financial risk for investors.

Dependence on relationships with the State, the Agency and GOGC

The Group has been operating in Georgia since 1997, during which time it has maintained good relationships with the State, the Agency and GOGC and each of them share in the benefit of a cooperative relationship in Block 12. The success of the business of the Group and the effective operation of Block 12 is dependent in part on these continued good relationships and co-operation with these parties. If the Group and the State, the Agency and/or GOGC are not able to co-operate with each other, it could have an adverse impact on the business, operations and prospects of the Group.

Dependence on key people

The Group's success depends in large part on the ability of its executive management team to deal effectively with complex risks and relationships and execute the Group's oil exploration development plan. The

members of the management team contribute to the Group's ability to obtain, generate and manage opportunities. The prospects of the Group also depend upon the continued service of its technical employees and consultants. In Georgia, the identity and efforts of the local representatives, in particular their relationships with governmental agencies, can be critical factors in its local success. There can be no assurance that the Group's present directors, advisers, officers, employees, representatives or consultants will remain with the Group.

Requirement for permits and licences

The operations of the Group require licences, permits and in some cases renewals of existing licences and permits from various governmental authorities. The Directors believe that the Group has the benefit of all material licences and permits which are necessary to carry on the activities required under applicable laws and regulations.

The Directors believe that the Group is complying in all material respects with the terms of the licences and permits granted to it in order to undertake its activities in Block 12. However, notwithstanding the provisions in the Block 12 PSA obliging the government of Georgia to co-operate fully with Frontera Georgia in obtaining all necessary consents and permits, the Group's ability to obtain, sustain or renew such licences and permits on acceptable terms are subject to change in regulations and policies and to the discretion of the applicable regulatory authorities and governments.

C. RISK FACTORS RELATING TO THE OIL INDUSTRY

Exploration, production and general operational risks

Oil exploration and production is speculative and involves a high degree of risk. In particular, the operations of the Group may be disrupted by risks and hazards which are beyond the control of the Group, including environmental hazards, industrial accidents, occupational and health hazards, technical failures, labour disputes, unusual or unexpected geological formations, flooding, earthquakes and extended interruptions due to weather conditions, explosions and other accidents. These risks and hazards could also result in damage to, or destruction of, wells or production facilities, personal injury, environmental damage, business interruption, financial losses and legal liability.

The Group may never identify commercially exploitable deposits or successfully drill, complete or produce oil reserves. Completed wells may never produce oil, or may not produce sufficient quantities to be profitable or commercially viable. The Company's estimates of oil and gas resources are based on certain material assumptions which may turn out to be incorrect. Furthermore, although the Company's internal resource estimates have been calculated according to the accepted industry practices and corroborated by NSA, they are based, in some cases, on limited technical data and may not reflect actual reserves, which could be significantly less than such estimates.

The nature of reserve quantification studies means that there can be no certainty that estimates of the quantities and quality of oil discovered will be available for extraction. There are numerous uncertainties inherent in estimating quantities of oil and gas reserves. Reserve engineering is a subjective process of estimating underground accumulations of oil and gas that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geologic interpretation and judgment. In evaluating oil and gas properties, and in estimating reserves, the Company has used historic, Soviet seismic data, production data and geologic and geophysical data that may not meet the customary technical quality of data used in the international oil and gas industry. Estimates by different engineers often vary, sometimes significantly. Physical factors, such as the results of drilling, testing and production subsequent to the date of an estimate, as well as economic factors, such as an increase or decrease in product prices that renders production of reserves more or less economic, may justify a revision of reserves estimates.

Delays in the construction and commissioning of projects or other technical difficulties may result in the Company's current or future projected target dates for production being delayed or further capital expenditure being required.

Oil pricing and demand

The price of and demand for oil is dependent on a number of factors, including worldwide supply and demand levels, actions of the Organisation of Petroleum Exporting Countries, energy policies, weather, competitiveness of alternative energy sources, global economic and political developments and the volatile trading patterns of the commodity futures markets. Changes in oil and gas prices can impact the Company's valuation of reserves. International oil prices have fluctuated widely in recent years and may continue to do so in the future. Lower oil prices will adversely affect the Group's revenues, business or financial condition and the valuation of its reserves. In periods of sharply lower commodity prices, the Group may curtail production and capital spending projects and may defer or delay drilling wells because of lower cash flows.

Increase in drilling costs and the availability of drilling equipment

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

Delays in production, marketing and transportation

Various production, marketing and transportation conditions may cause delays in oil production and adversely affect the Group's business. Drilling wells in areas remote from distribution and production facilities may delay production from those wells until sufficient reserves are established to justify construction of the necessary transportation and production facilities.

Transportation

The Group is reliant on third parties providing access to the necessary infrastructure to transport oil from Block 12 to the international oil markets. While the Group potentially has a number of transportation options available to it, there can be no guarantee that these options will be available or, if available, that the tariffs and taxes charged to use such transportation will be in accordance with the costs assumed by the Group or NSA or at costs that enable the Group's production to be delivered to world markets economically.

Insurance coverage

There are significant exploration and operating risks associated with drilling oil and gas wells, including blowouts, cratering, sour gas releases, uncontrolled flows of oil, natural gas or well fluids, adverse weather conditions, environmental risks and fire, all of which can result in injury to persons as well as damage to or destruction of oil and gas wells, equipment, formations and reserves, production facilities and other property. In addition, the Group will be subject to liability for environmental risks such as pollution and abuse of the environment. Although the Group will exercise due care in the conduct of its business and will maintain customary insurance coverage for companies engaged in similar operations, the Group is not fully insured against all risks in its business. The occurrence of a significant event against which the Group is not fully insured could have a material adverse effect on its operations and financial performance. In addition, in the future some or all of the Group's insurance coverage may not be available at all or on satisfactory terms including pricing, or the amount of coverage may be insufficient to cover all of the losses, damages, costs or liabilities relating to the Group's business and operations.

Environmental exposures and regulation

The requirements or stringency of present or future environmental laws and regulations in Georgia may have a material adverse effect on the Group's business and financial condition. Environmental laws and standards applicable to oil and gas operations in the emerging international marketplace are changing and differ from country to country. The Group's operations are subject to regulatory requirements relating to environmental matters, health and safety, waste management and hydrocarbon and chemical products. In general,

environmental legislation and policy throughout the world are evolving in a manner that has resulted in stricter standards and enforcement and in more stringent fines and penalties for non-compliance. Environmental assessments of existing and proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees.

Oil and gas operations are subject to inherent environmental risk and some of the Group's oil and gas properties have pre-existing environmental damage. Although this pre-existing damage is not the responsibility of the Group under the terms of the Block 12 PSA, the developing nature of Georgia's laws creates ambiguity with regard to responsibility for pre-existing contamination and the costs of complying with environmental regulation in the future could be material and adversely affect the results of the Group.

Decommissioning costs

The Group will be responsible for certain costs associated with abandoning and reclaiming wells, facilities and pipelines, which it may use for production of oil. Abandonment and reclamation of facilities and associated costs is often referred to as "decommissioning". Should decommissioning be required, the costs of decommissioning may exceed the value of reserves remaining at any particular time to cover such decommissioning costs. The Company may have to draw on funds from other sources to satisfy such costs. The use of other funds, to satisfy such decommissioning costs, could have a material adverse effect on the Group's financial position and future results of operations.

D. RISK FACTORS ASSOCIATED WITH THE ORDINARY SHARES

Restrictions on transfer in the United States under the US Securities Act

The Frontera Cayman Shares to be issued in the Placing, the Merger and the Exchange Offer and under the SEDA, and the New Notes to be issued in the Exchange Offer, in each case that are issued outside of the United States to non-US persons will be freely tradable outside of the United States. However, since those securities will be issued in transactions that have not been registered under the US Securities Act, they may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any US Person, unless the transfer is registered under the US Securities Act or an exemption from the registration requirements is available. Only the Company is entitled to register any of these securities under the US Securities Act, and the Company has no obligation to do so. The Company can give no assurances that an exemption from registration will be available with respect to the transfer of any of the forgoing securities in the United States.

Frontera Cayman Shares issued to non-US persons outside the United States generally are eligible to be issued in the form of depositary interests ("DIs"), and may be traded on AIM without restriction under the US securities laws. The Placing Shares, and the Frontera Cayman Shares to be issued in the Merger, the Exchange Offer and under the SEDA, to non-US persons outside of the United States in the form of DIs will not be subject to trading restrictions outside of the United States. In connection with the Merger, non-US Shareholders who hold physical certificates representing Frontera Delaware Shares will receive new certificates representing Frontera Cayman Shares without a restrictive legend.

Subject to the exception set forth below, US Shareholders who receive Frontera Cayman Shares in the Merger and US persons who receive Frontera Cayman Shares or New Notes in the Exchange Offer, will receive certificates representing the Frontera Cayman Shares or New Notes, as the case may be, bearing a restrictive legend to the effect that such Frontera Cayman Shares or New Notes have not been registered under the US Securities Act or any state securities laws, and may be transferred only pursuant to an exemption from the registration requirements of the US Securities Act and applicable state securities laws.

US Shareholders who receive Frontera Cayman Shares in the Merger and US persons who receive Frontera Cayman Shares or New Notes in Exchange Offer and who (i) are Qualified Institutional Buyers (as defined in Rule 144A under the US Securities Act); and (ii) execute and deliver to Frontera Cayman a Qualified Institutional Investor representation letter, pursuant to which such shareholders agree to certain restrictions on the transfer of their Frontera Cayman Shares or New Notes, will receive Frontera Cayman Shares or New Notes without a restrictive legend.

All Frontera Cayman Shares issued without a restrictive legend may be deposited with Computershare Investor Services PLC in exchange for DIs.

The Frontera Cayman Shares and New Notes will not be admitted for trading on any US securities exchange. The lack of any US listing and the above restrictions severely restrict the ability of holders of Frontera Cayman Shares or New Notes from reselling those securities in the United States or to, or for the account or benefit of, a US Person.

Non-applicability of the UK City Code on Takeovers and Mergers

A takeover of the Company would not be subject to the UK City Code on Takeovers and Mergers, as such does not apply to the Company. The Articles do not contain any provisions equivalent to the UK City Code on Takeovers and Mergers.

Cayman Islands incorporation

Frontera Cayman is an exempted company incorporated under the Cayman Islands Companies Law. Law and practice in the Cayman Islands relating to companies is not the same as English law applicable to public limited companies, or that which may have been applicable to Frontera Delaware, as a corporation subject to Delaware law.

Unlike English law, Cayman Islands law does not mandate pre-emption rights under which companies issuing new shares for cash must generally offer them to existing shareholders unless shareholders have given authority for them not to do so. The Articles also make no provision for any such rights.

Under Cayman Islands law, if a person offers to acquire all of the issued and outstanding shares in the capital of a Cayman company that that person does not own, and receives acceptances in respect of 90 per cent. of such shares, the remaining 10 per cent. may be acquired by a compulsory acquisition procedure. The offeror must receive the required level of acceptances within 4 months of the date of the original offer, and the compulsory acquisition process must be completed within a further two months. There are limited opportunities for minority shareholders to dissent.

Cayman Islands law provides for a statutory merger procedure that permits a Cayman Islands company to merge or consolidate with another company, wherever domiciled. A merger or consolidation that is approved by a special resolution of shareholders will be binding on all shareholders of the Cayman company. Limited appraisal rights are available to dissenting shareholders.

With the approval of three quarters in value and a simple majority in number of those who attend and vote at a meeting called for the purpose, a Cayman company may apply to court to sanction a scheme of arrangement pursuant to which a Cayman company may merge, amalgamate or consolidate with another company. With the necessary approval of shareholders and the sanction of the court, a scheme of arrangement is binding on all shareholders and there are no appraisal rights. Delaware law does not provide an equivalent procedure to the scheme of arrangement.

Share price volatility and limited liquidity

The share price of publicly traded emerging companies can be highly volatile. The price at which the Ordinary Shares will be quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Company and its operations and some which may affect the Company's quoted sector, or quoted companies generally. These factors could include the performance of the Company's development and production programmes, large purchases or sales of the Ordinary Shares, currency fluctuations, oil price fluctuations and general economic conditions.

The Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. It is likely to be more difficult for an investor to realise its investment on AIM than to realise an investment in a company whose shares are quoted on the Official List.

The market price of the Ordinary Shares may not reflect the underlying value of the Group's net assets. The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. Investors may realise less than the original amount invested.

PART III

SUMMARY OF THE PROPOSALS

On 28 June 2011, Frontera Delaware announced its intention to implement the Proposals. As at the date of this document, the implementation of the Proposals is subject to the satisfaction of certain conditions, including Admission. In connection with the Proposals Frontera Cayman entered into the SEDA, a summary of which is set out in paragraph 11.9 of Part VII of this document.

1. THE EQUITY FUNDRAISING

Frontera Cayman has conditionally raised approximately £6.8 million (US$11.0 million), before expenses, pursuant to the Placing of 115,678,351 new Frontera Cayman Shares with certain institutional and other investors, as well as through the Subscription for 53,959,053 new Frontera Cayman Shares by an entity associated with Mr. Steve Nicandros (Chairman of the board of directors and Chief Executive Officer) and another senior executive of the Group.

To implement the Placing, on 28 June 2011, Frontera Cayman entered into the Placing Agreement with Strand Hanson Limited, as Nominated Adviser, and Arbuthnot Securities Limited and Old Park Lane Capital Plc, as joint placing agents, pursuant to which the joint placing agents agreed to use their reasonable endeavours to procure subscribers for the Placing Shares at a price of 4 pence each (the "Placing Price"), raising approximately £4.6 million (US$7.5 million), before expenses. The Placing is conditional, *inter alia*, on the other transactions contemplated by the Proposals becoming effective or not having been terminated (including the SEDA not having been terminated) and on Admission. A summary of the Placing Agreement is set out in paragraph 11.2 of Part VII of this document.

To implement the Subscription, on 28 June 2011, Frontera Cayman entered into the Subscription Agreements, with an entity associated with Mr. Steve Nicandros and also with another senior executive of the Group, pursuant to which the subscribers have agreed to subscribe for 53,959,053 new Frontera Cayman Shares at the Placing Price, which will result in Frontera Cayman receiving proceeds of approximately £2.2 million (US$3.5 million). The Subscription was conducted as a simultaneous private placing pursuant to Regulation D under the US Securities Act. The Subscription is conditional, *inter alia*, on the Merger becoming effective and on Admission. A summary of the Subscription Agreements is set out in paragraph 11.12 of Part VII of this document.

2. THE DEBT RESTRUCTURING

On 28 June 2011, Frontera Cayman commenced the Exchange Offer to the holders of Frontera Delaware's US$120,763,445, 10 per cent. convertible loan notes due in 2012 and 2013 (together the "Old Notes"), pursuant to which the holders of the Old Notes may exchange their Old Notes for: (i) 15,417 Frontera Cayman Shares (the "Stock Payment") for every US$1,000 of Old Notes held by them (equivalent to an exchange at the Placing Price); (ii) 2016 Notes, to be issued by the New Notes Issuer, which is a Delaware limited liability company and a wholly-owned subsidiary of Frontera Cayman, pursuant to the 2016 Note Purchase Agreement; or (iii) a combination of Frontera Cayman Shares and 2016 Notes.

The Exchange Offer commenced on 28 June 2011 and expired at 5.00 p.m., Houston time on 26 July 2011. An aggregate US$102,464,026 principal amount of Old Notes were tendered for the Stock Payment and an aggregate of US$18,058,376 principal amount of Old Notes were tendered for 2016 Notes. An aggregate of US$241,040 2012 Notes, and nil of 2013 Notes remain outstanding following completion of the Exchange Offer. The settlement date for the Exchange Offer is expected to be 2 August 2011.

The Exchange Offer was conditional, *inter alia*, on the exchange of at least 75 per cent. of the Old Notes for the Stock Payment and the consent of the majority of the holders of each class of the Old Notes to adopting certain amendments to the note purchase agreements pursuant to which the Old Notes were issued by Frontera Delaware (the "Old Note Purchase Agreements"). A summary of the Old Note Purchase

Agreements are set out in paragraphs 11.19 and 11.20 of Part VII of this document and a summary of the 2016 Note Purchase Agreement is set out in paragraph 11.21 of Part VII of this document.

Frontera Cayman received the consent of 99.7 per cent. of the holders of 2012 Notes and 100 per cent. of the holders of 2013 Notes, to the amendments to the Old Note Purchase Agreements and such amendments will become effective upon the closing of the Exchange Offer.

When issued, the 2016 Notes will be structurally senior to the Old Notes (because the New Notes Issuer is a wholly-owned subsidiary of Frontera Cayman and the parent of the Group's operating subsidiaries, and restrictions in the 2016 Note Purchase Agreement prohibit the New Notes Issuer from transferring funds to Frontera Cayman, other than for debt service on the remaining Old Notes, taxes, general and administrative costs and other debt service requirements).

Pursuant to the Management Debt Conversion, Mr. Steve Nicandros and another senior executive of the Group have entered into the Note Exchange Agreements to convert approximately US$9.2 million of loans to Frontera Delaware (representing 100 per cent. of the total amount of indebtedness to management as at the date hereof, plus accrued and unpaid interest) into Frontera Cayman Shares at a conversion price per share equivalent to the Placing Price. A summary of the Note Exchange Agreements is set out in paragraph 11.13 of Part VII of this document.

3. REDOMICILE BY WAY OF MERGER

To facilitate the Equity Fundraising (and the SEDA), Frontera Delaware has solicited the consent of its shareholders to effectively redomicile Frontera Delaware, as the holding company of the Group, by way of merger of Frontera Delaware with and into Frontera Cayman. In order to qualify for an exemption from registration of the Merger under the US Securities Act, consent to the Merger was not solicited from shareholders of Frontera Delaware in the United States who are not accredited investors for purposes of Regulation D under the US Securities Act.

Frontera Delaware has now obtained the consent of its shareholders, by the requisite majority, to the Merger. The written consent of the sole shareholder of Frontera Cayman will be obtained prior to 1 August 2011.

The Merger will be effected pursuant to the provisions of and will have the effect provided by the Merger Agreement entered into between Frontera Delaware and Frontera Cayman, the Delaware General Corporation Law and the Cayman Islands Companies Law. Pursuant to the Merger Agreement and applicable law, the Company will merge with and into Frontera Cayman, the corporate existence of Frontera Delaware will cease on the effective date of the Merger and Frontera Cayman will be the surviving corporation. A summary of the Merger Agreement is set out in paragraph 11.14 of Part VII of this document.

Subject to the other conditions to the Merger being satisfied including, *inter alia*, the Placing Agreement, the Subscription Agreements, the Note Exchange Agreements and the SEDA not having been terminated, it is anticipated that the Merger will become effective at about 10.00 p.m. on 1 August 2011. Subject to the Merger becoming effective, it is anticipated that Admission will take place at 8.00 a.m. on 2 August 2011.

Upon the Merger becoming effective, shareholders of Frontera Delaware (other than US Shareholders who are not accredited investors, who will receive cash in the amount of US$0.065 for each Frontera Delaware Share) will receive one Frontera Cayman Share in exchange for every one existing Frontera Delaware Share held by them.

From the effective date of the Merger, the amended and restated memorandum and articles of association of Frontera Cayman which are in place immediately before the date of the Merger will continue to be the amended and restated memorandum and articles of association of Frontera Cayman as the surviving entity. A summary of the Articles is set out in paragraph 5 of Part VII of this document.

Upon the Merger becoming effective, all assets, liabilities, properties, corporate acts, plans, policies, contracts, approvals and authorisations of each of Frontera Delaware and Frontera Cayman and their respective shareholders, boards of directors, committees elected or appointed thereby, officers and agents, which were effective immediately before the date of the Merger, will be vested in, assumed by or taken, as

applicable, for all purposes as the acts, plans, policies, contracts, approvals and authorisations of Frontera Cayman and shall be effective and binding on Frontera Cayman in the same manner as they were with respect to Frontera Delaware or Frontera Cayman, as the case may be, before the Merger becoming effective.

The directors of Frontera Cayman will be the same as those of Frontera Delaware immediately prior to the Merger and upon the Merger becoming effective they will continue to be the same.

Settlement of securities as a result of the Merger

Cancellation of Frontera Delaware Share certificates

Upon completion of the Merger, all share certificates representing the Frontera Delaware Shares in certificated form will thereafter represent the right to receive certificates representing Frontera Cayman Shares, except that the holdings of Non-Accredited US Shareholders will represent the right to receive cash consideration. Holders holding share certificates representing Frontera Delaware Shares who wish to receive a certificate representing their Frontera Cayman Shares must first surrender their Frontera Delaware Share certificates. New share certificates will be delivered representing Frontera Cayman Shares following surrender of share certificates representing Frontera Delaware Shares as follows:

(i) share certificates issued to US Shareholders will bear a restrictive legend to the effect that such shares have not been registered under the US Securities Act or any state securities laws, and may be transferred only pursuant to an exemption from the registration requirements of the US Securities Act and applicable state securities laws; and

(ii) share certificates issued to non US Shareholders will not bear a restrictive legend.

US Shareholders who are Qualified Institutional Buyers (as defined in Rule 144A under the US Securities Act), and who execute and deliver to Frontera Cayman a Qualified Institutional Investor representation letter pursuant to which they agree to certain restrictions on the transfer of their Frontera Cayman Shares, will receive Frontera Cayman Shares without a restrictive legend.

CREST and Depositary Interests

Frontera Delaware shareholders who currently hold depositary interests representing their Frontera Delaware Shares will, following the Merger becoming effective, receive DIs representing an equivalent number of Frontera Cayman Shares. The DIs representing Frontera Delaware Shares, if any, will cease to exist.

Overseas Shareholders

The implications of the Merger for persons resident in, or citizens or nationals of, jurisdictions outside the United Kingdom, Georgia or the Cayman Islands ("Designated Foreign Shareholders") may be affected by the laws of the relevant jurisdictions. Such Designated Foreign Shareholders should inform themselves about and observe all applicable legal requirements.

Frontera Delaware shareholders must satisfy themselves as to their full observance of the laws of the relevant jurisdiction in connection with the Merger, including the obtaining of any governmental, exchange control or other consents that may be required, and compliance with other necessary formalities that are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

If, in respect of any Designated Foreign Shareholders, Frontera Cayman is advised that the issuance of Frontera Cayman Shares would or might infringe the laws of any Designated Foreign Jurisdiction, or would or might require Frontera Cayman to obtain legal advice or any governmental or other consent or effect any registration, filing or other formality with which, in the opinion of Frontera Cayman, it would be unable to comply or that it regards as unduly onerous, Frontera Cayman may determine either:

(i) that Designated Foreign Shareholder's Frontera Cayman Shares shall be issued to such Designated Foreign Shareholder or to a nominee for such Designated Foreign Shareholder appointed by Frontera Cayman and then sold on such holder's behalf, with the net proceeds of sale being paid to the Designated Foreign Shareholder; or

(ii) make a cash payment to the Designated Foreign Shareholder in respect of such Designated Foreign Shareholder's Frontera Cayman Shares or enter into such other arrangement with such Designated Foreign Shareholder as it deems fit.

Designated Foreign Shareholders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Merger in their particular circumstances.

Holders of Frontera Delaware Shares who are Designated Foreign Shareholders and who wish to hold Frontera Cayman Shares upon completion of the Merger, are requested to advise Frontera Cayman of an alternative address in the United Kingdom, the Cayman Islands or another jurisdiction outside of the United States, as soon as possible and in any event before the date the Merger becomes effective, which is expected to be 1 August 2011. Holders of Frontera Delaware Shares who fail to do this, prior to the Merger becoming effective, may (at the discretion of Frontera Cayman) have the Frontera Cayman Shares to which they would have been entitled sold and the net proceeds of sale paid to them.

United States shareholders

The Frontera Cayman Shares and DIs have not been, and will not be, registered under the US Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be transferred except pursuant to an exemption from the registration requirements of the US Securities Act.

The distribution of Frontera Cayman Shares in exchange for Frontera Delaware Shares held by US persons in the Merger will constitute an offering of securities in the United States under the US Securities Act, and therefore, requires registration under US Securities Act and applicable state securities laws or an exemption from registration. Therefore, Frontera Delaware is conducting the Merger pursuant to the exemption from registration under Section 4(2) of the US Securities Act and Rule 506 of Regulation D thereunder. Under Rule 506 of regulation D, the Merger will be exempt from registration under the US Securities Act if all the conditions of Regulation D are satisfied.

The Frontera Cayman Shares issued to US Shareholders in the Merger will be restricted securities for purposes of Rule 144 under the US Securities Act. Therefore, the Frontera Cayman Shares issued to US Shareholders in the Merger will be subject to a one-year holding period before such US Shareholders can trade them under Rule 144.

Summary:

(i) US Shareholders who receive Frontera Cayman Shares in the Merger will receive certificates representing the Frontera Cayman Shares bearing a restrictive legend to the effect that such Frontera Cayman Shares have not been registered under the US Securities Act or any state securities laws, and may be transferred only pursuant to an exemption from the registration requirements of the US Securities Act and applicable state securities laws. In order to transfer these restricted shares, holders may be required to provide Frontera Cayman with a legal opinion, in form and substance satisfactory to Frontera Cayman and its counsel, that registration of the transfer is not required;

(ii) the DIs currently representing Frontera Delaware Shares will be canceled and the holders thereof will receive new DIs representing their Frontera Cayman Shares;

(iii) non US Shareholders will receive Frontera Cayman Shares without a restrictive legend; and

(iv) US Shareholders who: (a) receive Frontera Cayman Shares in consideration for their Frontera Delaware Shares; (b) are Qualified Institutional Buyers (as defined in Rule 144A under the US Securities Act); and (c) execute and deliver to Frontera Cayman a Qualified Institutional Investor representation letter, pursuant to which they agree to certain restrictions on the transfer of their Frontera Cayman Shares, will receive Frontera Cayman Shares without a restrictive legend.

All Frontera Cayman Shares issued without a restrictive legend may be deposited with Computershare Investor Services PLC in exchange for DIs.

The cash consideration in exchange for Frontera Delaware Shares payable to Non-Accredited US Shareholders shall be paid by Computershare Investor Services (Jersey) Limited by cheque sent to the address of such Non-Accredited US Shareholder as listed on the stock register of Frontera Delaware or, if different, the principal residence supplied by such Non-Accredited US Shareholder on its letter of transmittal, as described below.

Shareholders who are citizens or residents of the United States should consult their own legal and tax advisers with respect to the legal and tax consequences of the Merger in their particular circumstances.

Procedures for receiving Merger consideration

Upon the Merger becoming effective, Frontera Delaware will be merged with and into Frontera Cayman, and Frontera Delaware will cease to exist. Thereafter, the former Frontera Delaware Shares will evidence the right to receive either the Frontera Cayman Shares or the cash consideration, as applicable.

All Frontera Delaware Shares held as depositary interests in CREST will automatically be converted into Frontera Cayman Shares and will be listed on the Frontera Cayman register of members without further action of the shareholders.

Promptly following the date the Merger becomes effective, the Company will send to all former Frontera Delaware shareholders who hold physical Frontera Delaware Share certificates, and all US holders, a letter of transmittal to be used in connection with the delivery of the Merger consideration. In the letter of transmittal, former Frontera Delaware shareholders will be asked to supply Frontera Delaware with certain information concerning the issuance and delivery of their Frontera Cayman Share certificates. In addition, US Shareholders will be asked to certify whether they are accredited investors as defined in Regulation D under the US Securities Act.

Former Frontera Delaware shareholders who hold Frontera Delaware Share certificates must complete and submit a letter of transmittal and deliver it to Frontera Cayman along with their Frontera Delaware Share certificates. Upon receipt of a properly completed and executed letter of transmittal and such Frontera Delaware Share certificates, Frontera Cayman will issue to the holder a Frontera Cayman Share certificate or pay the cash consideration to such shareholder, as applicable.

After the Merger, trading in Frontera Cayman Shares held in street name will not be eligible for electronic settlement through the facilities of the Depositary Trust Company ("DTC"). Therefore, former holders of Frontera Delaware Shares who held their shares in street name will be required to give their brokers the information required to be provided under the letters of transmittal so Frontera Cayman can determine whether such street name shareholders are entitled to the Frontera Cayman Shares or cash consideration.

Frontera Cayman will be unable to determine which US Shareholders are accredited investors and who will therefore be able to receive Frontera Cayman Shares as a result of the Merger and which US Shareholders are Non-Accredited US Shareholders and who will therefore be required to accept cash consideration in lieu of Frontera Cayman Shares, until US Shareholders have returned a properly completed letter of transmittal. Therefore, all Frontera Cayman Shares issuable to US Shareholders as a result of the Merger will initially be allotted and issued to a nominee of the Company and immediately thereafter surrendered by such nominee and held as treasury shares for transfer by the Company, on the assumption that 100 per cent. of the US Shareholders are entitled to receive Frontera Cayman Shares. On a weekly basis following the Merger becoming effective, Frontera Cayman will examine all letters of transmittal submitted by US Shareholders during the previous week and will cause Frontera Cayman Shares held by it, or cash consideration, to be transferred or paid to US Shareholders as appropriate. US Shareholders who have not submitted a properly completed letter of transmittal by the expiration of 120 days following the date the Merger becomes effective will be presumed to be Non-Accredited US Shareholders and will receive the cash consideration due to them. Any Frontera Cayman Shares held in treasury form by the Company for the purpose of issuing Frontera Cayman Shares as consideration under the Merger which are not transferred to US Shareholders will be cancelled.

Accordingly, following the Merger becoming effective and immediately prior to Admission, and upon the appropriate entries being made in the register of members of the Company, the shareholdings of the Company will be the same as the former shareholdings of Frontera Delaware, except in respect of those holders of Frontera Delaware Shares who are US Shareholders.

PART IV

PETROLEUM CONSULTANT'S REPORTS

Frontera Delaware commissioned and published reports from its petroleum consultant, Netherland, Sewell & Associates, Inc. at the time of its admission to AIM in 2005, covering the Taribani Field and certain other assets in Block 12, and in 2010, covering the assets comprising the Shallow Fields Production Unit.

The Directors believe that the conclusions of these reports remain valid, but would like to draw attention to certain changes relating to the assets covered by the 2005 report. The technical advances at Taribani and other fields since 2005 are set out in paragraphs 5.3 and 5.4 of Part I of this document. The potential effect of these advances along with changes in the standards and methodologies used in preparing such reports since 2005 are as follows:

- The 2005 report classified Taribani oil volumes as "Technical Possible Reserves". Under the PRMS standards used for the 2010 report on the Shallow Field Production Unit, these resource volumes would be probably be classified as 1P, 2P, 3P Reserves and Contingent Resources.
- The economic assessment in 2005 was based on oil prices of US$30/bbl (flat) and a "forward curve" forecast with US$35/bbl after 2007, compared with current prices of over US$100/bbl.
- The 2005 report provided estimates on a deterministic basis. Under the PRMS standard used for the 2010 report, a probabilistic basis would have been used giving low, best and high estimates rather than a single estimate.
- Adoption of PRMS should allow potential volumes below the lowest known oil to be included as contingent or prospective resources, providing better quantification of the potential upside to the field.
- Additional data from two wells (Dino-2 and T-45) drilled by the Group since 2005, and subsequent reservoir modelling, has provided a better understanding of estimated Recovery Factors in the various productive zones. Estimated Recovery Factors in Zone IX may be reduced from 15 per cent. to around 7 per cent., while in Zone XIX recovery might be increased to 25 per cent., albeit with a higher oil formation volume factor.
- The Group has developed a clearer understanding of the up-dip potential of the Taribani structure, and intends to drill a number of wells in this area. The volumes associated with this potential field extension could be classified as Contingent or Prospective Resources, providing better quantification of the potential upside to the field.
- Finally, the Group has gained considerable experience in the drilling, completion and frac'ing of these reservoirs, and therefore estimates of well costs and anticipated well performance will have improved considerably.

The Directors intend to commission new reports that will be published within twelve months of Admission.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents (excluding all information incorporated by reference in any such documents either expressly or implicitly and excluding any information or statements included in any such documents either expressly or implicitly that is or might be considered to be forward looking) which have previously been published, shall be deemed to be incorporated in, and to form part of, this document:

- the report by Netherland, Sewell & Associates, Inc. dated 15 February 2005; and
- the report by Netherland, Sewell & Associates, Inc. dated 20 September 2010.

Copies of these historic documents referenced in this document are available on the Company's website at www.fronteraresources.com.

PART V

FINANCIAL INFORMATION

Part A: Historic Financial Information

DOCUMENTS INCORPORATED BY REFERENCE

The audited financial statements of Frontera Delaware for the years ended 31 December 2008, 2009 and 2010 (excluding all information incorporated by reference in any such documents either expressly or implicitly and excluding any information or statements included in any such documents either expressly or implicitly that is or might be considered to be forward looking) which have previously been published, shall be deemed to be incorporated in, and to form part of, this document.

Copies of these historic documents referenced in this document are available on the Company's website at www.fronteraresources.com.

Part B: Unaudited Pro-forma Statement of Net Assets

The unaudited consolidated pro forma statement of net assets set out below has been prepared to illustrate the effect of the Proposals on the net assets of the Group if the transaction had taken place as at 31 December 2010. The information, which has been produced for illustrative purposes only, by its nature addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. The unaudited pro forma statement of net assets is compiled on the basis set out in the notes below.

	Frontera Cayman $000 (Note 1)	*Frontera Delaware as at 31 December 2010 $000 (Note 2)*	*Adjustments $000 (Note 3)*	*Pro Forma Total $000 (Note 4)*
ASSETS				
Non-current assets				
Plant and equipment, net	–	1,205	–	1,205
Oil and gas properties, net	–	7,910	–	7,910
Deferred financing costs, net	–	2,321	(1,972)	349
	–	11,436	(1,972)	9,464
Current assets				
Cash and cash equivalents	–	159	10,980	11,139
Accounts receivable, net	–	190	–	190
Inventory	–	5,044	–	5,044
Prepaid expenses and other current assets	–	180	–	180
	–	5,573	10,980	16,553
Total assets		17,009	9,008	26,017

	Frontera Cayman $000 (Note 1)	*Frontera Delaware as at 31 December 2010 $000 (Note 2)*	*Adjustments $000 (Note 3)*	*Pro Forma Total $000 (Note 4)*
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	–	6,844	474	7,318
Current derivative stock warrant liabilities	–	584	2,357	2,941
Related party notes payable	–	5,305	(5,305)	–
	–	12,733	(2,474)	10,259
Non-current liabilities				
Convertible notes payable	–	114,944	(102,983)	11,961
Derivative stock warrant liabilities	–	258	2,566	2,824
	–	115,202	(100,417)	14,785
Total liabilities	–	127,935	(102,891)	25,044
Net assets	–	(110,926)	111,899	973

Notes

1. The financial information has been extracted, without material adjustment, from Frontera Cayman unaudited accounting records.

2. The financial information has been extracted, without material adjustment, from the audited results of the Group for the year ended 31 December 2010.

3. Adjustments made to reflect the Placing proceeds, Exchange Offer, Management Debt Conversion and other related transactions as follows:

   (a) Placing proceeds: adjustment to reflect the net proceeds of the Placing receivable by the Group, of US$8.5 million.

   (b) Interest on 2012 Notes and 2013 Notes for the period 1 January 2011 to the date of Admission not paid treated as additional principal.

   (c) Exchange Offer: adjustment to reflect the conversion of US$103.3 million 2012 Notes and 2013 Notes into Ordinary Shares at 4p per share, including inducement expense of US$98.4 million and changes in the value of the conversion option related to the 2012 Notes and the 2013 Notes.

   (d) Deferred financing costs: adjustment to reflect the write-off of deferred financing costs related to the 2012 Notes and 2013 Notes converted to Ordinary Shares under the terms of the Exchange Offer.

   (e) Shareholder and related party advances: adjustment to reflect shareholder and related party advances made in the period 1 January 2011 to the date of Admission.

   (f) Management Debt Conversion: adjustment to reflect the issue of Ordinary Shares to management on conversion of US$9.2 million of management debt and other advances.

   (g) Cash out of non-accredited shareholders and issuance of Ordinary Shares to a former Director: adjustment to reflect payment of US$0.5 million in cash to non-accredited shareholders of Frontera Resources Corporation who are unable to participate in Frontera Cayman and the issuance of 4.0 million Ordinary Shares to a former Director.

   (h) Warrants: adjustment to reflect changes in the valuation of the 2008 Warrants and the 2009 Warrants arising from the anti-dilution provisions of the related Warrant Agreements. The adjustment also includes the recognition of new Warrants issued at the date of Admission (the Broker Warrants and Adviser Warrants).

   (i) Cancellation of treasury shares: adjustment to reflect the cancellation of existing treasury shares of Frontera Resources Corporation together with the cancellation of the additional treasury shares recognised as a result of the cash-out at (g) above.

4. No adjustment has been made to reflect the trading results of the Group since 31 December 2010.

PART VI

SUMMARY OF THE BLOCK 12 PSA AND MINERAL LICENCE

1.1 **Scope**

The Group derives its rights to explore for, develop and produce oil, including all existing wells, in Block 12 pursuant to a production sharing agreement entered into on 25 June 1997 between the Ministry of Finance and Economy (the "MoFE"), state oil company Saknavtobi and Frontera Georgia (the "Block 12 PSA") and a 25 year mineral extraction licence relating to Block 12 that was granted to the Operating Company with effect from 22 August 1997 (the "Mineral Licence"). On 27 May 2008, Saknavtobi assigned all of its rights and obligations under the Block 12 PSA to a newly created state-owned national oil company, GOGC. The Group's activities in Block 12 are conducted through Frontera Georgia, a wholly owned subsidiary of the Frontera Delaware, and the Operating Company, a pass-through entity formed for execution and operational purposes only under the terms of the Block 12 PSA which is jointly and equally owned by Frontera Georgia and GOGC.

The Block 12 PSA defines the rights and obligations of Frontera Georgia, the Agency (being the successor of the MoFE) and GOGC, governs their mutual relations and the governance, responsibilities and powers of the Operating Company. The Block 12 PSA also establishes the rules and methods for the operations to be conducted in connection with the exploration for undiscovered crude oil and natural gas ("Petroleum") and the evaluation, development and production of discovered reserves (the "Petroleum Operations"), as well as the provisions relating to production sharing.

Under the Block 12 PSA, the Operating Company has the exclusive right to explore for, develop and produce oil in Block 12 during the term of the Block 12 PSA. Frontera Georgia has the right to perform any Petroleum Operations or any other activities necessary under the Block 12 PSA or the Mineral Licence to the extent that the Operating Company fails or refuses to perform such activities, and any such costs incurred in doing so will be recoverable (see Recovery of Costs and Expenses at paragraph 1.5 of this Part VI). The Operating Company executes its responsibilities in accordance with instructions from Frontera Georgia and a coordination committee established under the Block 12 PSA (see paragraph 1.4 of this Part VI).

The Operating Company must provide technical resources and carry out all Petroleum Operations in accordance with approved work programmes and budgets and generally accepted standards in the international oil industry. Frontera Georgia must provide all financial resources for the Petroleum Operations undertaken by the Operating Company and such technical resources for the benefit of the Operating Company as required by the Block 12 PSA or as necessary or desirable. The Petroleum Operations carried out to date by the Operating Company have been sufficient to fulfil the minimum expenditure obligations under the Block 12 PSA. Frontera Georgia is able to recover these costs and expenses (see Recovery of Costs and Expenses at paragraph 1.5 of this Part VI).

1.2 **Term**

The Block 12 PSA has a twenty-five year term which will expire on 13 November 2022. The term includes an exploration phase which will expire on 13 November 2017 (the "Exploration Phase"). If commercial production remains possible in relation to any part of Block 12 which is specified in a development area or areas under the Block 12 PSA ("Development Areas"), Frontera Georgia is entitled, after the expiration of the Block 12 PSA, to receive an extension of the term of the Block 12 PSA and the Mineral Licence regarding such Development Areas for a further period of five years (or the production life of the Development Area if this is shorter).

1.3 **Relinquishments**

Save as otherwise agreed between Frontera Georgia, the Agency, and GOGC, Frontera Georgia will relinquish its rights to Block 12 in respect of any area outside of any Development Area at the end of the Exploration Phase.

1.4 **Coordination Committee**

The Block 12 PSA provides for a coordination committee to be established comprising six members (three appointed by Frontera Georgia and three appointed by GOGC) which is given certain powers under the Block 12 PSA and provides the overall supervision and direction of, and ensures the performance of, the Petroleum Operations (the "Coordination Committee").

All actions are to be taken by a unanimous decision of the Coordination Committee. However, if the parties fail to reach agreement on any matter, then Frontera Georgia's proposal will prevail, provided Frontera Georgia gives full reasons for such proposal and GOGC does not reasonably believe that the proposal would result in serious depletion of a field or reservoir resulting in either permanent damage to that field or reservoir or materially reduced recovery of Petroleum over the life of the field or reservoir. If GOGC decides to object to any decision taken by Frontera Georgia on these limited grounds, such matter will be referred to and finally determined by an independent expert appointed by Frontera Georgia and GOGC.

1.5 **Recovery of Costs and Expenses**

Frontera Georgia must provide or procure the provision of all funds required to conduct Petroleum Operations and is entitled to recover its costs and expenses incurred in respect of the Petroleum Operations from the Petroleum produced from Block 12. Those operational costs incurred in the day to day Petroleum Operations, including costs relating to production, processing, transportation, export, administration, finance, tax and insurance costs, are recoverable in full from oil produced. Thereafter, the nature of the costs and expenses incurred will determine the percentage of Petroleum produced that is available to reimburse Frontera Georgia for its non-operating costs and expenses:

(i) in respect of expenditure incurred in connection with the exploration for previously undiscovered Petroleum, or the evaluation of undiscovered reserves ("Exploration Operations"), Frontera Georgia is entitled to recovery of such expenses from 100 per cent. of the Petroleum produced from Block 12;

(ii) in respect of expenditure incurred which benefits any Development Areas, Frontera Georgia is entitled to recovery of such expenses from 80 per cent. of the Petroleum produced from Block 12; and

(iii) in respect of expenditure incurred benefiting those parts of Block 12 relating to discoveries made prior to the Block 12 PSA (the "Exploitation Areas"), Frontera Georgia is entitled to recovery of such expenses from 60 per cent. of the Petroleum produced from Block 12.

Frontera Georgia must follow a detailed accounting procedure set out in the Block 12 PSA for recovery of its costs and expenses which is open to audit and approval by GOGC. Where outstanding recoverable costs and expenses for one year exceed the value of the Cost Recovery Crude Oil produced from Block 12, the excess can be carried forward for recovery in the next succeeding years until fully recovered but in no case after termination of the Block 12 PSA. Frontera Delaware has incurred a total of approximately US$302,530,000 of costs (including financing costs) in respect of its operations on Block 12, of which approximately US$271,003,000 has been approved by GOGC and approximately US$29,332,000 is anticipated by Frontera Delaware to be approved by GOGC for recovery. GOGC has requested further documentary evidence in respect of approximately US$2,195,000 incurred by the Group prior to the grant of the Block 12 PSA. Frontera Delaware has to date recovered a total of approximately US$28,474,000 of its approved costs from oil sales.

1.6 **Allocation of Production**

Following recovery of costs and expenses from the Cost Recovery Crude Oil in accordance with the provisions set out in paragraph 1.5 of this Part VI, the remaining Petroleum (referred to as "Profit Oil") will be allocated between GOGC and Frontera Georgia in the proportion of 51 per cent. to GOGC and 49 per cent. to Frontera Georgia. Frontera Georgia and the Operating Company are entitled to use Petroleum produced from Block 12 free of charge to the extent required for Petroleum Operations.

If in any calendar year Frontera Georgia's share of Cost Recovery Crude Oil and Profit Oil exceeds 90 per cent. of the total Cost Recovery Crude Oil and Profit Oil, a quantity of crude oil equivalent to that excess (the "Excess Crude") will be offered for sale to the government of Georgia (the "State") from Frontera Georgia's next available share of Petroleum. The State then has 20 days to elect to purchase and take delivery of such Petroleum at a price equal to the world market price for similar crude oil.

1.7 **Taxation**

The Operating Company has no tax liability whatsoever in respect of profit tax payable pursuant to Georgian tax laws ("Profit Tax") or mineral use tax payable pursuant to Georgian tax laws ("Mineral Use Tax"). Save in respect of Profit Tax and Mineral Use Tax, both the Operating Company and Frontera Georgia are entitled to full exemption from all taxes payable under Georgian tax laws.

Both GOGC and Frontera Georgia are subject to Profit Tax at the rate of 10 per cent., however, GOGC agrees to pay Frontera's share of Profit Tax and Mineral Use Tax from its Profit Oil and, with the support and guarantee from the State, indemnifies Frontera Georgia from all taxes payable under Georgian tax laws. If the amount of Profit Tax which would have been owed by Frontera Georgia but for the provisions of the Block 12 PSA exceeds GOGC's share of Profit Oil (the "Excess Crude"), Frontera Georgia will advance to GOGC a sum equivalent to the Excess Crude. Such sum is recoverable by Frontera Georgia in accordance with the Cost Recovery provisions (see paragraph 1.5 of this Part VI).

1.8 **Assistance from the State**

The State agrees to provide on request such assistance to enable Frontera Georgia and the Operating Company to properly carry out the Petroleum Operations. Such assistance includes, *inter alia*, providing approvals and permits, arranging office, transportation and communication facilities, assisting with customs formalities, liaising with appropriate departments and ministries of the State, providing land rights requested for the construction of facilities and installations, providing data and samples relating to Block 12 other than those produced pursuant to the Block 12 PSA, and procuring access to all existing facilities and infrastructure in Block 12 owned by or otherwise under the control of the State or GOGC for the purpose of carrying out Petroleum Operations under the Block 12 PSA or any new or modernised pipelines or other infrastructure passing through Georgia.

The State agrees to observe, enforce and maintain the stability of the legal, tax, financial, mining and economic conditions of the Block 12 PSA for the duration of its term and to procure that all decrees, permits, resolutions, licences and access rights are made available to Frontera Georgia and the Operating Company. If there is a change to the laws and regulations of Georgia which have a material adverse impact on the economic position of Frontera Georgia, then (i) the terms of the Block 12 PSA will be amended to restore Frontera Georgia to its position prior to such change and (ii) if such changes do not restore Frontera Georgia's economic position, then the State will indemnify Frontera Georgia for such losses.

In addition, appended to the Block 12 PSA is a decree of the President of Georgia stating that no future Georgian law on petroleum production sharing will act retrospectively to change the principles of production sharing under the Block 12 PSA or to amend the Block 12 PSA adversely to Frontera Georgia.

1.9 **Export of Crude Oil**

Frontera Georgia and any purchaser from Frontera Georgia have the unrestricted right to export from any export point chosen by Frontera Georgia the share of Petroleum to which Frontera Georgia is entitled under the Block 12 PSA, provided that access to such export point is not restricted generally on the grounds of safety or national security. Such exports will be free of all taxes (including customs duties). Petroleum to which Frontera Georgia is entitled under the Block 12 PSA will not be subject to any current or future export quotas or licence requirements (save as provided in the Block 12 PSA in respect of Excess Crude set out at paragraph 1.7 of this Part VI).

Ownership of any asset acquired by or on behalf of the Operating Company or Frontera Georgia in connection with Petroleum Operations will vest in GOGC without consideration when both (i) the costs of such asset have been recovered by Frontera Georgia under the terms of the Block 12 PSA and (ii) either the Block 12 PSA has come to an end or, if earlier, the asset is no longer required. The Operating Company has the right to enjoy the free, exclusive and unrestricted use of such assets at no cost until the Block 12 PSA is terminated or the assets are no longer needed.

1.10 **Assignment**

Frontera Georgia may transfer all or part of its rights and obligations under the Block 12 PSA to a third party provided, firstly, that such third party has the requisite technical and financial ability and accepts the terms of the Block 12 PSA and, secondly, that GOGC has given its prior written consent to such assignment (such consent not to be unreasonably withheld or delayed).

GOGC may transfer all or part of its rights and obligations under the Block 12 PSA to a third party provided that, *inter alia*, Frontera Georgia consents to such transfer (such consent not to be unreasonably withheld or delayed). The consent of Frontera Georgia (which cannot be unreasonably withheld or delayed) is also required to be given before the State and/or GOGC can allow any third party to acquire an interest in GOGC (or a company in its corporate group).

Any transfer of rights, obligations and interests arising under the Block 12 PSA must be accompanied by a transfer of an equivalent share of ownership in the Operating Company.

1.11 **Termination**

Frontera Georgia may by written notice to GOGC relinquish its rights and be relieved of its obligations under the Block 12 PSA at any time if, in Frontera Georgia's opinion, circumstances do not warrant continuing Petroleum Operations. The State may only terminate the Block 12 PSA on ninety days' notice if Frontera Georgia has committed a material breach of the Block 12 PSA (being a fundamental breach tantamount to a frustration of the Block 12 PSA which may include failure to complete any work programmes approved pursuant to the Block 12 PSA) which is proved at arbitration.

1.12 **Governing Law and Dispute Resolution**

All disputes arising between GOGC and Frontera Georgia will be settled under UNCITRAL before a panel of three arbitrators. Any arbitration will be held in Stockholm, Sweden, and will be conducted in the English language and text. Any party may by 30 days' written notice initiate the arbitration proceedings and any decision will be final and binding on the parties. Any arbitration panel will apply the terms of the Block 12 PSA as supplemented and interpreted by general principles of the laws of Georgia, the United States and the State of Texas as are in force on the date of the Block 12 PSA.

1.13 **Refinery**

The State granted to Frontera Georgia for the benefit of the Operating Company the sole right and licence for 25 years to study, design, erect and operate a crude oil refinery within the Kakheti and Kartli provinces of Georgia. Frontera Georgia has the option to extend the term of the refinery licence for an additional period of 25 years or for the life of the refinery, whichever is shorter, upon giving notice to the Ministry of Natural Resources. The Block 12 PSA transfers the licence to the Operating Company.

The PSA obliges the Contractor to commence a programme of study in respect of the design and operation of a refinery. Pursuant to the Block 12 PSA, the Contractor engaged Muse, Stancil and Co. to produce a preliminary refinery feasibility study in October 1997. Frontera has complied with all its obligations in respect of the refinery under the Block 12 PSA.

2. MINERAL LICENCE

In accordance with the Law on Entrails and the Oil and Gas Law, exploration and production of oil is subject to a licencing regime. The Operating Company holds a mineral licence issued by the Ministry of Environment and Natural Resources Protection. The Mineral Licence is issued for 25 years and is valid until 27 August 2022. The Licence was issued to the Operating Company, in accordance with the Block 12 PSA, which provides that the Operating Company has the exclusive right to conduct Petroleum Operations in the Contract Area.

The Mineral Licence sets out the rights of the holder to the exploration and production of existing oil and gas deposits located within the territory of Block 12 of Georgia, the conduct of geological and ecological studies of the territory, and exploration and exploitation of oil and gas deposits in the territory of Dedopliskaro, Signagi, Sagarejo, Gurjaani, Mameuli and Gardabani. The area of geological allotment is approximately 5,060 km^2.

The Mineral Licence also contains provisions relating to the rate of mineral use tax payable by the Operating Company to the State and obligations imposed on the Operating Company, including compliance with applicable technical rules, keeping records of oil reserves, ensuring the security of employees and the notifications of disasters and accidents.

PART VII

ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Company and the Directors, whose names appear on page 6 of this document, accept responsibility, both individually and collectively for the information contained in this document. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

2. THE COMPANY AND ITS SUBSIDIARIES

2.1 The Company was incorporated under the Cayman Islands Companies Law, as an exempted company with limited liability on 17 May 2011 and is registered in the Cayman Islands with number 256380. The principal legislation under which the Company operates is the Cayman Islands Companies Law.

2.2 The Company's registered office is located at the offices of Walkers Corporate Services Limited, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9005, Cayman Islands (telephone:+1 345 949 0100). Upon Admission, the Group's principal places of business will be located at 3040 Post Oak Boulevard, Suite 1100 Houston, Texas 77056, United States (telephone: + 1 713 585 3200); and 12 Paliashvili Street, Tbilisi 0179, Georgia (telephone + 995 322 25 24 12).

2.3 As at the date of this document, the Company has no subsidiaries. Upon the Merger becoming effective (prior to Admission), Frontera Cayman will replace Frontera Delaware as the ultimate holding company of the Group, which comprises the following subsidiaries, all of which (save as disclosed below) will be wholly owned either directly or indirectly by Frontera Cayman and over which Frontera Cayman will be able to exercise 100 per cent. voting control:

Name	*Country of incorporation*	*Principal activity*	*Proportion of shares held*
Frontera Resources Holdings, LLC	Delaware, USA	Issuer of the 2016 Notes	100 per cent.
Frontera International Corporation	Cayman Islands	Intermediate holding company	100 per cent.
Frontera Resources Caucasus Corporation	Cayman Islands	Intermediate holding company	100 per cent.
Frontera Resources Georgia Corporation	Cayman Islands	Contracting party to Block 12 PSA	100 per cent.
Frontera Eastern Georgia Limited[(1)]	Georgia	Group operating company	50 per cent.

(1) The state owned national oil company, Georgian Oil and Gas Company owns the remaining 50 per cent. of the shares in Frontera Eastern Georgia Limited, a pass-through entity that exists for operational and execution purposes only and operates on a no profit/no loss basis. Details of the profit sharing arrangements in respect of Block 12 are set out in paragraph 1.6 of Part VI of this document.

3. SHARE CAPITAL OF THE COMPANY

3.1 On incorporation, the share capital of the Company was US$50,000 divided into 5,000,000 ordinary shares of US$0.01 par value, of which one share was issued to the subscriber to the memorandum of association (the "Subscriber Share").

3.2 On 24 June 2011, the Subscriber Share was transferred by the subscriber to ED Limited, the sole shareholder of the Company as at the date of this document.

3.3 On 24 June 2011, the authorised share capital of the Company was increased to US$120,000 and subdivided into 3,000,000,000 ordinary shares of US$0.00004 par value.

3.4 As at the date of this document, the issued share capital of the Company is US$0.00004 represented by 1 fully paid ordinary share of US$0.00004 par value.

3.5 The one Ordinary Share in issue has been created and issued pursuant to the Cayman Islands Companies Law and the Ordinary Shares to be issued pursuant to the Proposals will also be created and, upon entry in the register of members of the Company, deemed issued under the Cayman Islands Companies Law having the rights and subject to the restrictions set out in the Articles. The liability of the members of Frontera Cayman is limited to the amount, if any, unpaid on the Ordinary Shares held by them.

3.6 Subject as otherwise provided in the Articles, all shares of the Company for the time being and from time to time unissued, shall be under the control of the directors, and may be re-designated, allotted or disposed of in such manner, to such persons and on such terms as the directors in their absolute discretion may think fit.

3.7 Upon the Merger becoming effective, the Company shall, subject to appropriate entries being made in the register of members of the Company, issue Ordinary Shares, credited as fully paid, to Frontera Delaware shareholders (other than to those persons who are US Shareholders of Frontera Delaware) on the basis of one Ordinary Share for each Frontera Delaware Share held on the date the Merger becomes effective and (immediately following the issuance of Ordinary Shares pursuant to the Merger becoming effective), repurchase the 1 Ordinary Share held by ED Limited at par.

Frontera Cayman will be unable to determine which US Shareholders are accredited investors and who will therefore be able to receive Frontera Cayman Shares as a result of the Merger and which US Shareholders are Non-Accredited US Shareholders and who will therefore be required to accept cash consideration in lieu of Frontera Cayman Shares, until US Shareholders have returned a properly completed letter of transmittal. Therefore, all Frontera Cayman Shares issuable to US Shareholders as a result of the Merger will initially be allotted and issued to a nominee of the Company and immediately thereafter surrendered by such nominee and held as treasury shares for transfers by the Company, on the assumption that 100 per cent. of the US Shareholders are entitled to receive Frontera Cayman Shares. On a weekly basis following the Merger becoming effective, Frontera Cayman will examine all letters of transmittal submitted by US Shareholders during the previous week and will cause Frontera Cayman Shares held by it, or cash consideration, to be transfered or paid to US Shareholders as appropriate. US Shareholders who have not submitted a properly completed letter of transmittal by the expiration of 120 days following the date the Merger becomes effective will be presumed to be Non-Accredited US Shareholders and will receive the cash consideration due to them. Any Frontera Cayman Shares held in treasury by the Company for the purpose of issuing Frontera Cayman Shares as consideration under the Merger which are not transferred to US Shareholders will be cancelled.

Accordingly, following the Merger becoming effective and immediately prior to Admission, and upon the appropriate entries being made in the register of members of the Company, the shareholdings of the Company will be the same as the former shareholdings of Frontera Delaware, except in respect of those holders of Frontera Delaware Shares who are US Shareholders.

By resolution of the Directors, upon completion of the Proposals further Ordinary Shares will be allotted, subject to Admission, and on appropriate entries being made in the register of members of the Company be issued, in connection with the Equity Fundraising and the Debt Restructuring.

3.8 The Ordinary Shares to be issued pursuant to the Proposals will be credited as fully paid and free from all liens, charges, encumbrances and other third party rights and will rank *pari passu* amongst themselves, in all respects, including the right to receive all dividends and other distributions declared, paid or made after Admission.

3.9 The International Security Identification Number for the Ordinary Shares is KYG368131069.

3.10 The issued and fully paid up share capital of the Company: (i) as at the date of this document; and (ii) as it is expected to be following implementation of the Proposals and as at Admission is as follows:

Number	*Issued and fully paid up amount*
(i) 1 Ordinary Share	US$0.00004
(ii) 2,044,325,136 Ordinary Shares[(1)]	US$81,755

(1) Assuming the issuance of 4 million Frontera Delaware Shares to a former director of Frontera Delaware prior to the Merger becoming effective and assuming that the issued share capital of Frontera Delaware otherwise remains unchanged prior to the Merger becoming effective; (ii) all Frontera Cayman Shares which are due to US Shareholders in consideration for their Frontera Delaware Shares will be held by the Company as treasury shares pending a determination of whether such US Shareholders are able to receive Frontera Cayman Shares. US Shareholders who are not able to evidence that they are accredited shareholders (for the purposes of the US Securities Act) will receive cash in lieu of Frontera Cayman Shares and such corresponding shares held in treasury as they were due will be cancelled by the Company in due course.

4. OPTIONS, WARRANTS AND OTHER CONVERTIBLE ARRANGEMENTS

4.1 Save as disclosed in Part III (Summary of the Proposals) and this Part VII, since 17 May 2011 (being the date of incorporation of the Company):

(i) no share or loan capital in the Company is under option or is the subject of an agreement, conditional or unconditional, to be put under option;

(ii) no share or loan capital of the Company has been issued, or is now proposed to be issued, fully or partly paid, either for cash or other consideration to any person;

(iii) no person has any preferential subscription rights for any share capital of the Company;

(iv) no commissions, discounts, brokerages or other special terms, have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company;

(v) the Company does not hold any of its own Ordinary Shares and none of the Company's subsidiaries hold any of the Ordinary Shares;

(vi) the Company has no convertible debt securities, exchangeable debt securities or debt securities with warrants in issue; and

(vii) there are no acquisition rights or obligations over the unissued share capital.

Options

4.2 Frontera Delaware has granted options under the Frontera Resources Corporation 1998 employee stock incentive plan (the "1998 Plan") and the Frontera Resources Corporation 2000 non-qualified stock option and stock award plan (the "2000 Plan", and with the 1998 Plan, the "Stock Option Plans"), further details of which are set out below. Upon the Merger becoming effective, obligations with respect to the Stock Option Plans will be assumed by Frontera Cayman and options exercisable for Frontera Delaware Shares will become exercisable for Frontera Cayman Shares.

4.3 As at the date of this document, there are share options outstanding under the Stock Option Plans which grant rights to purchase an aggregate of 14,850,389 Frontera Delaware Shares, which upon the Merger becoming effective will become rights to subscribe for an identical number of Ordinary Shares.

Option Plan	*Number of shares under option[(1)]*	*Expiration period from date of issue*	*Normal vesting period*
1998 Plan	3,748,255	31/12/2012 – 12/10/2009	1 – 3 years
2000 Plan	11,102,134	31/12/2012 – 19/04/2020	1 – 3 years

(1) Currently in respect of Frontera Delaware Shares and upon the Merger becoming effective, will be in respect of Frontera Cayman Shares.

1998 Plan

4.4 The 1998 Plan permits grants of options to purchase Frontera Delaware Shares. The 1998 Plan, is limited to Frontera Delaware employees who are required to report and pay taxes on earnings pursuant to the US Internal Revenue Code. The maximum number of stock options that can be issued under the 1998 Plan is limited to 9,750,000 Frontera Delaware Shares, reduced by the total number of shares of stock subject to stock options and stock awards which have been granted under the 1998 Plan.

Options granted under the 1998 Plan may be qualified as "Incentive Stock Options" under Section 422 of the Internal Revenue Code ("ISO's"), or may be non-qualified options under that Section. The 1998 Plan also permits restricted stock awards within its terms.

The board of directors of Frontera Delaware has appointed the chief executive officer as administrator of the 1998 Plan. The administrator is responsible for determining which employees will receive options, the number of shares covered by any option agreement, and the exercise price and other terms of each such option. The board of directors is responsible for administering the 1998 Plan as it relates to options granted to the chief executive officer.

Under the terms of the 1998 Plan, any issued options expire ten years after the date of grant, with the exception of options granted to shareholders holding at least 10 per cent. of the Frontera Delaware Shares, which expire five years after the date of grant, or upon earlier termination of employment of the grantee. Options granted vest over periods ranging from immediate vesting to vesting in equal increments over three years from the date of grant. Upon completion of the Merger, all unvested options will automatically vest in full.

2000 Plan

4.5 The 2000 Plan permits options to be granted to employees, directors, consultants, and advisors of Frontera Delaware or any of its affiliates, to purchase up to 15 per cent. of the Frontera Delaware Shares authorised to be issued by Frontera Delaware, reduced by the total number of shares of stock subject to stock options and stock awards that have been granted under the 2000 Plan and the 1998 Plan.

The 2000 Plan is limited to the grant of non-qualified stock options to purchase shares. The 2000 Plan also permits restricted stock awards within its terms.

The board of directors of Frontera Delaware has appointed the chief executive officer as the administrator of the 2000 Plan, who determines which employees will receive options, the number of shares covered by any option agreement, and the exercise price and other terms of each such option. The board of directors is responsible for administering the 2000 Plan as it relates to options granted to the chief executive officer.

Under the terms of the 2000 Plan, any issued options expire ten years after the date of grant or upon earlier of termination of employment or affiliation relationship between the grantee and Frontera Delaware. Options granted vest over periods ranging from immediate vesting to vesting in equal increments over three years from the date of grant. Upon completion of the Merger, all unvested options will automatically vest in full.

Option Exchange Program

4.6 During 2009, Frontera Delaware completed a stock option exchange program for employees and directors of Frontera Delaware pursuant to which, stock options previously granted under the 1998 Plan and the 2000 Plan at strike prices ranging from US$1.00 to US$2.87 were eligible to be exchanged on a three-for-one basis at a strike price equal to the closing price on 29 September 2009, the date the election period ended. All vesting and expiration dates of the options remained unchanged. As a result of the exchange program, approximately 7.8 million previously granted options were exchanged for approximately 2.6 million options with an exercise price of US$0.27 per Frontera Delaware Share.

Warrants

4.7 Frontera Delaware has issued warrants to subscribe for Frontera Delaware Shares under a warrant agreement dated July 2008 (the "2008 Warrants") and a warrant agreement dated September 2009 (the "2009 Warrants"). Frontera Delaware has also issued the Broker Warrants to Arbuthnot in connection with its services as broker to Frontera Delaware, further details of which are set out below. Upon the Merger becoming effective, the 2008 Warrants, the 2009 Warrants and the Broker Warrants and the instruments under which they were created will be assumed by Frontera Cayman.

4.8 Pursuant to warrant instruments to be issued upon Admission, Frontera Cayman will, conditional upon Admission, issue further warrants to Strand Hanson, Arbuthnot and OPL in respect of services provided by them in connection with the Placing (the "Adviser Warrants").

4.9 As at the date of this document, there are warrants to subscribe for, in aggregate, up to 50,135,169 Frontera Delaware Shares. The following table sets out the warrants over Frontera Cayman Shares which will be outstanding following the implementation of the Proposals and as at Admission:

Warrant instrument/name of warrant holder	*Number of outstanding warrants*	*Exercise price*	*Term*
2008 Warrants	65,033,240	US$0.17/£0.106	July 2008 – July 2013
2009 Warrants	139,079,809	US$0.076/£0.047	September 2009 – September 2011
Broker Warrants	500,000	6 pence	8 February 2011 – 8 February 2013
Adviser Warrants:			
Arbuthnot	1,649,181	4 pence	2 August 2011 – 2 August 2013
OPL	687,500	4 pence	2 August 2011 – 2 August 2014
Strand Hanson	10,221,626	4 pence	2 August 2011 – 2 August 2013

2008 Warrants

4.10 The 2008 Warrants are exercisable for an aggregate of 6,593,037 Frontera Delaware Shares, at an exercise price of US$1.69 per share. Following implementation of the Proposals, the 2008 Warrants will be adjusted in accordance with the terms of the warrant instrument, such that they will be warrants exercisable for an aggregate of 65,033,240 Frontera Cayman Shares at an exercise price of US$0.17 (£0.106) per share. The 2008 Warrants expire in July 2013.

2009 Warrants

4.11 The 2009 Warrants are exercisable for an aggregate of 43,542,132 Frontera Delaware Shares, at an exercise price of £0.15 per share. Following implementation of the Proposals, the 2009 Warrants will be adjusted in accordance with the terms of the warrant instrument, such that they will be warrants exercisable for an aggregate of approximately 139,079,809 Frontera Cayman Shares at an exercise price of £0.047 (US$0.076) per share. The 2009 Warrants expire in September 2011.

Broker Warrants

4.12 Pursuant to a warrant instrument dated 8 February 2011, Frontera Delaware issued the Broker Warrants, entitling Arbuthnot to purchase 500,000 Frontera Delaware Shares at an exercise price of 6 pence per Frontera Delaware Share. The Broker Warrants expire on 8 February 2013.

Adviser Warrants

4.13 As part of the fees and commissions payable to Arbuthnot, OPL and Strand Hanson for their respective roles in the Placing, Frontera Cayman has issued warrants as follows:

(i) to Arbuthnot, warrants to purchase 1,649,181 Frontera Cayman Shares. The warrants will be exercisable at any time during the period of two years from Admission at the Placing Price;

(ii) to OPL, warrants to purchase 687,500 Frontera Cayman Shares. The warrants will be exercisable at any time during the period of three years from Admission at the Placing Price; and

(iii) to Strand Hanson, warrants to purchase 10,221,626 Frontera Cayman Shares (representing 0.5 per cent. of the issued share capital of Frontera Cayman at Admission). These warrants will be exercisable at any time during the period of two years from Admission at the Placing Price.

4.14 Further details of the warrant instruments pursuant to which the 2008 Warrants, the 2009 Warrants, the Broker Warrants and the Adviser Warrants have been issued are set out in paragraph 11 of this Part VI.

Convertible loan notes

4.15 As at the date of this document, Frontera Delaware has: (i) US$89,175,688 outstanding principal amount 10 per cent. convertible loan notes due 2012 ("2012 Notes") pursuant to the terms of a note purchase agreement dated 8 May 2007, as amended on 3 July 2008; and (ii) US$31,587,757 outstanding principal amount 10 per cent. convertible loan notes due 2013 (the "2013 Notes"), pursuant to the terms of a note purchase agreement dated 3 July 2008. The 2012 Notes and 2013 Notes are collectively known as the "Old Notes". Upon the Merger becoming effective, the Old Notes and the note purchase agreements pursuant to which they were issued (the "Old Note Purchase Agreements") will be assumed by Frontera Cayman.

4.16 Pursuant to the terms of the Exchange Offer, Frontera Cayman offered to purchase the Old Notes in exchange for: (i) Frontera Cayman Shares; (ii) 2016 Notes (issued pursuant to the terms of the 2016 Note Purchase Agreement); or (iii) a combination of (i) and (ii).

4.17 The following table sets out the convertible loan notes which will be outstanding following the implementation of the Proposals and as at Admission:

Loan note	*Number of outstanding loan notes*	*Conversion price*	*Maturity date*
2012 Notes	US$241,039.59	US$1.67 per share	May 2012
2013 Notes	Nil	US$1.71 per share	July 2013
2016 Notes	US$18,058,376.57	US$0.25 per share	July 2016

2012 Notes

4.18 The 2012 Notes were issued by Frontera Delaware pursuant to the terms and conditions of the 2012 Note Purchase Agreement.

The 2012 Notes accrue interest at the rate of 10 per cent. per annum and are convertible into Frontera Delaware Shares, at the option of the holders at the rate of 584.80 Frontera Delaware Shares for each US$1,000 principal amount converted (US$1.67 per share). Interest is payable quarterly on the 2012 Notes, and is payable either in cash or in additional 2012 Notes. The 2012 Notes mature on 8 May 2012.

As of the date of this document, there are US$89,175,687.88 aggregate principal amount of 2012 Notes outstanding. US$75,916,849 aggregate principal amount of the 2012 Notes were tendered in exchange for the Stock Payment, and US$13,017,796.71 aggregate principal amount of the 2012 Notes were tendered in exchange for the 2016 Notes in the Exchange Offer.

2013 Notes

4.19 The 2013 Notes were issued by Frontera Delaware pursuant to the terms and conditions of the 2013 Note Purchase Agreement.

The 2013 Notes accrue interest at the rate of 10 per cent. per annum and are convertible into Frontera Delaware Shares, at the option of the holder at the rate of 598.80 Frontera Delaware Shares for each US$1,000 principal amount converted (US$1.71 per share). Interest is payable quarterly on the 2013 Notes, and is payable either in cash or in additional 2013 Notes. The 2013 Notes mature on 3 July 2013.

As of the date of this document, there are US$31,587,757.35 aggregate principal amount of 2013 Notes outstanding. US$26,547,177.49 aggregate principal amount of the 2013 Notes were tendered in exchange for the Stock Payment, and US$5,040,579.86 aggregate principal amount of the 2013 Notes were tendered in exchange for the 2016 Notes in the Exchange Offer.

2016 Notes

4.20 The 2016 Notes will be issued by Frontera Resources Holdings, LLC, a Delaware limited liability company which, following the Merger becoming effective, is a wholly-owned subsidiary of Frontera Cayman (the "New Notes Issuer"), under the 2016 Note Purchase Agreement. An aggregate of US$18,058,376.57 of Old Notes were tended for 2016 Notes in the Exchange Offer. A Holder of the Old Notes who tenders Old Notes for 2016 Notes pursuant to the terms of the Exchange Offer, will be deemed to have executed and delivered the 2016 Note Purchase Agreement effective as of the Settlement Date.

The 2016 Notes will be: (i) issued by the New Notes Issuer on the Settlement Date; (ii) structurally senior to the Old Notes; (iii) accrue interest at the rate of 10 per cent. per annum; (iv) mature five years from the date of issuance; and (v) be convertible into Frontera Cayman Shares, at the option of the holder, at the rate of 4,000 Frontera Cayman Shares for each US$1,000 principal amount converted (US$0.25 per share).

The 2016 Note Purchase Agreement prohibits the 2016 Notes Issuer from transferring funds it receives from its subsidiaries to Frontera Cayman, other than to the extent necessary for Frontera Cayman to make regularly scheduled payments of interest on the 2012 Notes and the 2013 Notes or to permit Frontera Cayman to pay *bona fide* taxes and accounting, legal and administrative expenses of Frontera Cayman and its subsidiaries. These limitations on payments effectively result in the 2016 Notes being structurally senior to the 2012 Notes and the 2013 Notes.

4.21 Further details of the 2012 Note Purchase Agreement, the 2013 Note Purchase Agreement and the 2016 Note Purchase Agreement are set out in paragraph 11 of this Part VII.

Management promissory notes

4.22 From February 2010 through the date of this document, Mr. Steve Nicandros and another senior executive of the Company advanced US$6,835,000 and US$1,380,00, respectively, to the Company pursuant to a series of one-year promissory notes (the "Management Promissory Notes"). The Management Promissory Notes mature and become due and payable one year from the date of the advance and accrue interest at a rate of 15 per cent. per annum. Mr. Nicandros and the other senior executive executed waivers with respect to interest and principal falling due prior to the date of this document. Immediately prior to Admission these loans including accrued interest will amount in aggregate to approximately US$9.2 million.

Pursuant to the terms of the Note Exchange Agreements, the holders of the Management Promissory Notes have agreed to convert 100 per cent. of the total amount of outstanding loans due thereunder (including accrued interest through to the date of Admission), into a total of 141,515,879 Frontera Cayman Shares at a conversion price per share equivalent to the Placing Price. Further details of the Note Exchange Agreements are set out in paragraph 11 of this Part VII.

5. MEMORANDUM AND ARTICLES OF ASSOCIATION

5.1 The Amended and Restated Memorandum and Articles of Association of the Company were adopted on 24 June 2011 (the "Articles") pursuant to a written resolution of the sole shareholder, ED Limited, and contain, *inter alia*, the provisions set out below.

Objects

5.2 The Company's objects can be found in clause 3 of the memorandum of association and are unrestricted. The Company shall have full power and authority to carry out any object not prohibited by applicable law.

Voting rights

5.3 Subject to any rights or restrictions as to voting attached to any shares, on a show of hands every member who is present (who (being an individual) is present in person or (being a corporation) is present by a representative not being himself a member) or each proxy present shall have one vote and on a poll every member who is present in person or each proxy present shall have one vote for every share of which such person or the person represented by proxy is the holder. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company.

Variation of rights

5.4 Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class in the Company (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated either with the consent in writing of the holders of three-quarters of the issued shares of that class, or with the sanction of a resolution passed by at least a three-quarters majority of the holders of shares of the class present in person or by proxy at a separate general meeting of the holders of the shares of the class.

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied or abrogated by the creation or issue of further shares ranking *pari passu* therewith or the redemption or purchase of shares of any class by the Company.

The conditions with respect to the variation of rights contained in the Articles are no more stringent that the requirements imposed by Cayman Islands law.

Alteration of capital

5.5 The Company may by ordinary resolution of the members, increase its capital, consolidate and divide all or any of its share capital into shares of a larger nominal value, sub-divide all or any of its shares into shares of a smaller nominal value, convert all or any of its paid up shares into stock and reconvert that stock into paid up shares of any denomination, cancel any shares not taken, or agreed to be taken, by any person and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may by special resolution of the members reduce its share capital and any capital redemption reserve in any manner authorised by law.

The Company may issue redeemable shares, purchase its own shares (including any redeemable shares) provided that the manner of such purchase has first been authorised by the Company in a general meeting, make a payment in respect of the redemption or purchase of its own shares otherwise than out of profits or the proceeds of a fresh issue of shares, and accept the surrender for no consideration of any paid up share (including any redeemable share) on such terms and in such manner as the directors may determine.

The conditions with respect to changes in share capital contained in the Articles are no more stringent that the requirements imposed by Cayman Islands law.

Transfer of shares

5.6 Subject to applicable law, any member may transfer all or any of its shares (or interest in such shares) by instrument of transfer in any usual form or in such other form as the directors may approve. The instrument must be signed by or on behalf of the transferor (but need not be under seal) and, in the case of a partly paid share, by or on behalf of the transferee. The transferor will be deemed to remain the holder of the share until the name of the transferee is entered in the Company's register of members in respect thereof.

All transfers of shares (or interest in such shares) in uncertificated form shall be effected by means of a computer-based system, and procedures, which enable title to units of a security to be evidenced and transferred without a written instrument, and which facilitate supplementary and incidental matters, including, without limitation, CREST (the "Relevant System") in accordance with the rules of the Relevant System.

Prior to Admission, no transfer of shares shall be effective unless the directors have given their approval thereto and the directors may, in their absolute discretion and without giving any reason, refuse to register any transfer of shares;

Following Admission, the directors may, in their absolute discretion and without giving any reason therefor, refuse to register any transfer of shares unless: (i) it is in respect of a fully paid share; (ii) it is duly stamped (if required); (iii) save in the case of a transfer by a recognised clearing house to whom no share certificate was issue, it is deposited at the Company's registered office or such other place as the directors may appoint, and is accompanied by the certificate, for the shares to which it relates, (iv) it is in respect of only one class of share; (v) it is in favour of not more than four transferees except in the case of executors or trustees of a deceased Member; and (vi) it is in respect of a share on which the Company does not have a lien (and has served the appropriate notice). The directors may, in exceptional circumstances approved by the London Stock Exchange and/or the rules and practices of the operator of the Relevant System, refuse to register any transfer of shares (or interest in such shares) notwithstanding the fact that the above conditions have been met, provided that their refusal does not disturb the market in the shares.

If the directors refuse to register a transfer of any shares, they must, within two months after the date on which the transfer was lodged with the Company or the instruction was received by the operator of the relevant system (as the case may be), send to the transferor and the transferee notice of the refusal.

The registration of transfers of shares may be suspended at such times and for such periods as the directors may, in their absolute discretion, from time to time determine, provided always that (i) such registration shall not be suspended for more than 45 days in any year, and (ii) the directors may not suspend the registration of transfers of any participating security without the consent of the operator of the relevant system or without having given prior written notice to any such depositary as may be appointed by the Company from time to time.

The directors may recognise a renunciation of the allotment of any share by the allottee in favour of some other person.

Redemption

5.7 Subject to applicable law and the Company's memorandum of association, the Company may issue shares on terms that they are to be redeemed or are liable to be redeemed at the option of the Company or the member on such terms and in such manner as the Company may, before the issue of such shares, by special resolution determine.

Where the directors believe that shares are being held by any member (i) whose ownership of shares may cause the Company's assets to be deemed "plan assets" under the US Employee Retirement Income Security Act of 1974 (as amended) or the US Internal Revenue Code of 1986 (as amended), or (ii) whose ownership of shares may cause the Company to be required to register as an "investment company" under the Investment Company Act of 1940 (as amended), the Company may direct the

aforementioned member to transfer his shares to a person who is qualified to hold them and would not by reason of a transfer fulfil either of the above criteria. Until such transfer is effected, the existing holder of the shares shall not be entitled to any rights or privileges attached to such shares. If the required transfer is not effected within 30 days after notice to do so, and the member directed to transfer his shares has not established to the reasonable satisfaction of the board of directors that such transfer is not required, any or all of the shares may be redeemed or sold by the Company without the said member's consent. The said member shall be entitled to receive the redemption proceeds.

Dividends

5.8 Subject to applicable law, the directors may declare dividends and distributions on shares in issue and authorise payment of the dividends (including interim dividends) or distributions out of the funds of the Company lawfully available therefor. No dividend or distribution shall be paid except out of the realised or unrealised profits of the Company, or as otherwise permitted by applicable law. There are no fixed dates on which the entitlement to dividends arises and all dividend payments shall be non-cumulative.

Except as otherwise provided by the rights attached to shares with special rights as to dividends or distributions, if dividends or distributions are to be declared on a class of shares they shall be declared and paid according to the amounts paid or credited as paid on the shares of such class outstanding on the record date for such dividend or distribution but no amount paid or credited as paid on a share in advance of calls shall be treated as paid on the share.

The directors may declare that any dividend or distribution be paid wholly or partly by the distribution of specific assets and in particular of shares, debentures, or securities of any other company or in any one or more of such ways and where any difficulty arises in regard to such distribution, the directors may settle the same as they think expedient and in particular may issue fractional shares and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members upon the basis of the value so fixed in order to adjust the rights of all members and may vest any such specific assets in trustees as may seem expedient to the directors.

The directors may deduct from any dividend or distribution payable to any member all sums of money (if any) then payable by him to the Company on account of calls or otherwise and no dividend or distribution shall bear interest against the Company.

The directors may, before recommending or declaring any dividend, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall, in the absolute discretion of the directors be applicable for meeting contingencies, or for equalising dividends or for any other purpose to which those funds may be properly applied and pending such application may in the absolute discretion of the directors, either be employed in the business of the Company or be invested in such investments (other than shares) as the directors may from time to time think fit.

Any dividend which cannot be paid to a member and/or which remains unclaimed after six months from the date of declaration of such dividend may, in the discretion of the directors, be paid into a separate account in the Company's name, provided that the Company shall not be constituted as a trustee in respect of that account and the dividend shall remain as a debt due to the member. Any dividend which remains unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.

Return of capital

5.9 If the Company shall be wound up, and the assets available for distribution among the members shall be insufficient to repay the, whole of the share capital, such assets shall be distributed so that, as far as possible, the losses shall be borne by the members in proportion to the par value of the Ordinary Shares held by them. If in a winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed among the members in proportion to the par value of the Ordinary

Shares held by them at the commencement of the winding up subject to a deduction from those shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise. This does not prejudice the rights of the holders of shares issued upon special terms and conditions.

In the event of liquidation, the Ordinary Shares carry a right to the return of the nominal capital paid-up on them, and a right to the surplus of assets (if any) of the Company, *pari passu* among holders of Ordinary Shares.

Pre-emption rights and allotment of shares

5.10 There are no rights of pre-emption under the Articles or the Cayman Islands Companies Law in respect of the issue or transfer of the Company's shares.

Subject as otherwise provided in the Articles, all shares for the time being and from time to time unissued shall be under the control of the directors, and may be re-designated, allotted or disposed of in such manner, to such persons and on such terms as the directors in their absolute discretion may think fit.

Subject to the provisions, if any, in the memorandum of association, the Articles and to any direction that may be given by the Company in general meeting and without prejudice to any special rights previously conferred on the holders of existing shares, the directors may allot, issue, grant options over and issue warrants or similar instruments with respect to or otherwise dispose of shares (including fractions of a share) with or without preferred, deferred or other rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise and to such persons, at such times and on such other terms as they think proper provided always that, notwithstanding any provision to the contrary contained in the Articles, the Company shall be precluded from issuing bearer shares.

Disclosure of interests in shares

5.11 Notwithstanding the provisions of Cayman Islands Companies Law, where a person acquires an interest in the Company's shares or becomes aware of acquiring such an interest or where a shareholder ceases to have such an interest in any of the shares previously held by him, then, subject to the provisions below, such change in interest must be disclosed to the Company.

An interest needs to be disclosed when one of the following conditions has been met: (i) where a person or Member's interest equals or is more than 3 per cent. of the total number of shares currently in issue (exclusive of any shares held as treasury shares) of the Company; or (ii) where a person or shareholder's interest is already 3 per cent. or more of the total number of shares currently in issue (exclusive of any shares held as treasury shares) of the Company and such interest is either raised or lowered by 1 per cent. of the total number of shares currently in issue of the Company.

An obligation for disclosure arises where any of the conditions set out in (i) or (ii) above occur. When an obligation occurs the person or shareholder affected shall notify the Company in writing within two days of such an obligation having occurred.

Issue of shares with special rights attached

5.12 Except as otherwise provided, and subject to any direction that may be given by the members of the Company in general meeting and without prejudice to any special rights previously conferred on the holders of existing shares, the directors may allot, issue, grant options over and issue warrants or similar instruments with respect to or otherwise dispose of shares (including fractions of a share) with or without preferred, deferred or other rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise and to such persons, at such times and on such other terms as they think proper. The Company shall be precluded from issuing bearer shares.

5.13 ***Depositary interests***

The directors shall, subject always to the Cayman Islands Companies Law and any other applicable laws and regulations and the facilities and requirements of any Relevant System concerned and the

Articles, have the power to implement and/or approve any arrangements they may, in their absolute discretion, think fit in relation to (without limitation) the evidencing of title to and transfer of interests in shares in the Company in the form of depositary interests or similar interests, instruments or securities, and to the extent such arrangements are so implemented, no provision of the Articles shall apply or have effect to the extent that it is in any respect inconsistent with the holding or transfer thereof or the shares in the Company represented thereby. The directors may from time to time take such actions and do such things as they may, in their absolute discretion, think fit in relation to the operation of any such arrangements.

General meetings

5.14 The Company shall, within one year of its incorporation and in each year of its existence thereafter hold a general meeting as its annual general meeting and shall specify the meeting as such in the notices calling it. The annual general meeting shall be held at such time and place as the directors shall appoint.

The directors, or a committee designated by the board of directors whose powers and authorities include the power and authority to call meetings of the Company, may whenever they think fit, proceed to convene an extraordinary or special general meeting of the Company.

Members shall not have the power to convene meetings of the Company, whether being a special general meetings or the annual general meeting, of the Company, save only at any time when the board of directors of the Company is vacant and then only in accordance with the applicable law.

Notice of any general meeting of the Company, stating the place, day and hour of the meeting, and in case of a special general meeting the purpose or purposes for which the special general meeting is called, shall be given in writing to each member entitled to vote at the meeting at least ten but not more than 50 days before the date of the meeting. Notice shall be given either personally or by mail or other means of written communication, addressed to the member at the address appearing on the books of the corporation or given by the member to the Company for the purpose of notice. Notice of adjourned meetings is not necessary unless the meeting is adjourned for 30 days or more, in which case notice of the adjourned meeting shall be given as in the case of any special general meeting.

All business carried out at a general meeting of the Company shall be deemed special with the exception of sanctioning a dividend, the consideration of the accounts, balance sheets, and any report of the directors or of the Company's auditors, the appointment and removal of directors and the fixing of the remuneration of the Company's auditors. No special business shall be transacted at any special general meeting of the Company without the consent of all members entitled to receive notice of that meeting unless notice of such special business has been given in the notice convening that meeting.

The holders of a majority of the shares entitled to vote at the meeting and present in person or represented by proxy shall constitute a quorum at all meetings of the Company for the transaction of business. The application of the regulations set out in table A of the Cayman Islands Companies Law which specify a quorum as being three members personally present have been dis-applied by the Articles. There are no other provisions of the Cayman Islands Companies Law that stipulate quorum requirements for general meetings. If a quorum shall not be present or represented at any general meeting of the Company, the members entitled to vote at the meeting and present in person or represented by proxy shall have the power to adjourn the meeting from time to time without notice other than announcement at the meeting until a quorum shall be present or represented. At an adjourned meeting at which a quorum shall be present or represented by proxy business may be transacted which might have been transacted at the meeting as originally notified. The members present at a duly constituted meeting may continue to transact business until adjournment, despite the withdrawal of enough shareholders to leave less than a quorum.

If the directors wish to make this facility available to members for a specific or all general meetings of the Company, a member may participate in any general meeting of the Company, by means of a telephone or similar communication equipment by way of which all persons participating in such meeting can hear each other and such participation shall be deemed to constitute presence in person at the meeting.

Directors

5.15 The board of directors shall consist of not less than one and not more than fifteen directors (exclusive of any director appointed by the holder of a preference share in the Company conferring rights upon such holder to appoint directors), as shall be provided from time to time by resolution of the board of directors, provided that no decrease in the number of directors shall have the effect of shortening the term of any incumbent director, and provided further that no action shall be taken to decrease or increase the number of directors from time to time unless at least two-thirds of the directors then in office shall concur in said action.

At meetings of the directors a majority of the directors shall constitute a quorum for the transaction of business. Questions arising at any meeting shall be decided by a majority vote. In the case of a deadlock, the chairman shall have a casting vote.

The board of directors shall be divided into three classes of directors (other than directors which may be elected by the holders of preference shares of the Company conferring rights upon such holder to appoint directors). Such classes shall be as nearly equal in number as the then total number of directors constituting the entire board of directors shall permit, exclusive of any director elected by the holders of preference shares of the Company conferring rights upon such holder to appoint directors. Should the number of directors of the Company be reduced or increased, the directorship(s) shall be allocated among classes as appropriate so that the number of directors in each class is as specified in the position(s) to be abolished or created. The members of each class shall be elected for a term of three years and until their successors are elected. The term of office for each separate class of director shall expire at consecutive annual general meetings following the adoption of the Articles. Any vacancy on the board of directors may be filled by an affirmative vote of two-thirds of the remaining (or then-serving) directors, notwithstanding quorum requirements. Any director appointed this way shall be elected for a term expiring at the next annual general meeting of the Company. Otherwise, should there be a vacancy on the board of directors, a director shall be elected at each annual general meeting of the Company. The election of directors at each annual general meeting shall be by plurality vote; cumulative voting shall not be permitted.

The Company may remove any single director or any single class of director by resolution of at least 75 per cent. of those members for the time being entitled to receive notice of and to attend and vote at general meetings. The Company, however, may not remove the entire board of directors in this way.

There is no requirement for directors to hold shares in the Company.

The remuneration of the directors may be determined by the board of directors or by the Company by ordinary resolution of the members at each annual general meeting of the Company.

Any director may in writing appoint another person to be his alternate to act in his place at any meeting of the directors at which he is unable to be present. Every such alternate shall be entitled to notice of meetings of the directors and to attend and vote thereat as a director when his appointor is not personally present. A director may at any time in writing revoke the appointment of an alternate appointed by him. The remuneration of an alternate shall be payable out of the remuneration of the director appointing him.

A director may hold any other office or place of profit (other than the office of auditor) contemporaneously with his office as director. No director or potential director shall be disqualified from contracting with the Company either with regard to his occupation of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the Company in which any director is in any way interested, be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such director holding that office or of the fiduciary relation thereby established. If a director is so interested, however, he shall not vote on respect of any contract or transaction nor shall he be counted in the quorum present at that meeting of the board of directors.

Any director may act by himself or his firm in a professional capacity for the Company, and he shall be entitled to remuneration for such services as if he were not a director. However, under no circumstances may a director act as auditor to the Company.

A director who is in any way interested in a contract or proposed contract with the Company shall declare the nature of his interest at a board meeting. A director shall not vote in respect of any contract or proposed contract or arrangement nor shall he be counted in the quorum at any meeting of directors at which any such contract or proposed contract or arrangement shall come before the meeting for consideration.

Officers and agents

5.16 The Company shall have a president, one or more vice presidents, a secretary, a treasurer, and such other officers (including a chairman of the board of directors, chief executive officer, or chief financial officer) and assistant officers and agents as the directors may determine from time to time. No officer or agent need be a shareholder, or a director of the Company. Officers and agents shall have such authority and perform such duties in the management of the Company as determined by the directors from time to time, not being inconsistent with the Articles. The compensation of officers and agents shall be fixed from time to time by the directors.

Borrowing powers

5.17 The directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

Reregistration by way of discontinuation

5.18 The Company may by special resolution of the members resolve to be registered by way of continuation in a jurisdiction outside the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing. In furtherance of a resolution adopted pursuant to the Articles, the directors may cause an application to be made to the registrar of companies to deregister the Company in the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing and may cause all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company.

Merger and consolidation

5.19 The Company may by special resolution of the members resolve to merge or consolidate the Company in accordance with the Cayman Islands Companies Law.

6. SQUEEZE OUT RIGHTS UNDER CAYMAN ISLANDS LAW

Under Cayman Islands law, if a person offers to acquire all of the issued and outstanding shares in the capital of a Cayman company that that person does not own, and receives acceptances in respect of 90 per cent. of such shares, the remaining 10 per cent., may be acquired by a compulsory acquisition procedure. The offeror must receive the required level of acceptances within four months of the date of the original offer, and the compulsory acquisition process must be completed within a further two months. There are limited opportunities for minority shareholders to dissent.

Cayman Islands law provides for a statutory merger procedure that permits a Cayman Islands company to merge or consolidate with another company, wherever domiciled. A merger or consolidation that is approved by a special resolution of shareholders will be binding on all shareholders of the Cayman company. Limited appraisal rights are available to dissenting shareholders.

With the approval of three quarters in value and a simple majority in number of those who attend and vote at a meeting called for the purpose, a Cayman company may apply to court to sanction a scheme of arrangement pursuant to which a Cayman company may merge, amalgamate or consolidate with another

company. With the necessary approval of shareholders and the sanction of the court, a scheme of arrangement is binding on all shareholders and there are no appraisal rights. Delaware law does not provide an equivalent procedure to the scheme of arrangement.

7. THE DIRECTORS

7.1 The Directors and their respective functions are set out on page 6 of this document.

7.2 In addition to their directorships in the Group and their directorship in Frontera Delaware, details of other directorships held by each of the Directors in the five years preceding the date of this document are set out below:

Director	*Current directorships/partnerships*	*Past directorships/partnerships*
Steve C. Nicandros	None	None
Stephen E. McGregor	Las colinas de Marbella, SA Protestant Episcopal Cathedral Foundation	None
Andrew J. Szescila	None	None
Luis F. Giusti	None	Alange Energy Corporation

7.3 As at the date of this document, none of the Directors:

(i) has any unspent convictions in relation to indictable offences;

(ii) has been declared bankrupt or has entered into an individual voluntary arrangement;

(iii) was a director of any company at the time of or within the 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors with which such company was concerned;

(iv) was a partner in a partnership at the time of or within the 12 months preceding a compulsory liquidation, administration or partnership voluntary arrangement of such partnership;

(v) has had his assets the subject of any receivership or was a partner in a partnership at the time of or within the 12 months preceding any assets thereof being the subject of a receivership; or

(vi) has been the subject of any public criticism by any statutory or regulatory authority (including any recognised professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

8. DIRECTORS' AND OTHER INTERESTS

8.1 As at the date of this document, none of the Directors or persons connected with them (within the meaning of sections 252 and 253 of the UK Companies Act 2006 ("Connected Persons")) has any interest in the share capital of the Company. The interests of the Directors (all of which are beneficial) and their Connected Persons in the Enlarged Issued Share Capital, as they are expected to be following implementation of the Proposals and as at Admission, are as follows:

Name	*No. of Ordinary Shares as at Admission (following implementation of the Proposals)*	*Per cent. of the Enlarged Issued Share Capital as at Admission (following implementation of the Proposals)*
Steve C. Nicandros[(1)]	156,667,474	7.66 per cent.
Stephen E. McGregor	12,436,186	0.61 per cent.
Andrew J. Szescila	560,925	0.03 per cent.
Luis F. Giusti	560,925	0.03 per cent.

(1) 2,652,210 of these Ordinary Shares will be registered in the name of Mr. Nicandros, the remainder will be held by entities which are controlled by Mr. Nicandros and in which he has a beneficial interest and includes the 30,833,745 Ordinary Shares arising pursuant to the Subscription Agreement entered into by CSTN Ltd (further details of which are set out in paragraph 11.12 below).

8.2 Upon the Merger becoming effective, the Directors will be interested in the following unissued Ordinary Shares pursuant to share options granted under the Share Option Plans:

Name	*No. of Ordinary Shares*	*Exercise price range*	*Expiry date ranges*
Steve C. Nicandros	2,900,000	US$1.00 – US$2.00	28/06/2010 – 29/09/2019
Stephen E. McGregor	963,335	US$0.24 – US$1.00	28/06/2010 – 19/09/2019
Andrew J. Szescila	308,335	US$0.24 – US$0.27	30/08/2014 – 19/09/2019
Luis F. Giusti	300,001	US$0.24 – US$0.27	28/05/2017 – 19/09/2019

8.3 Upon Admission, in addition to their interests in shares and options set out in paragraphs 8.1 and 8.2 above, each of Messrs. Nicandros and McGregor will also be interested in 11,389,277 warrants and 2,356,400 warrants respectively.

8.4 Save as disclosed in this document, no Director has a potential conflict of interest between their duties to the Company and their private interests or other duties.

8.5 In addition to the interests of the Directors set out above, insofar as is known to Frontera Delaware and the Company, the following persons will be directly or indirectly interested in 3 per cent. or more of the Enlarged Issued Share Capital, as it is expected to be following implementation of the Proposals and as at Admission:

Name	*No. of Ordinary Shares as at Admission (following implementation of the Proposals)*[(1)]	*Per cent. of the Enlarged Issued Share Capital as at Admission (following implementation of the Proposals)*
DDJ Capital Management	491,693,542	24.05 per cent.
Kairos Eurasian Fund	440,555,673	21.55 per cent.
Spyros N. Karnessis	203,545,330	9.96 per cent.
Plainfield	152,067,063	7.44 per cent.
Persistency	154,639,525	7.56 per cent.
Zaza Mamulaishvili	71,452,814	3.5 per cent.

(1) (i) Assuming the issuance of 4 million Frontera Delaware Shares to a former director of Frontera Delaware prior to the Merger becoming effective and assuming that the issued share capital of Frontera Delaware otherwise remains unchanged prior to the Merger becoming effective; (ii) all Frontera Cayman Shares which are due to US Shareholders in consideration for their Frontera Delaware Shares will be held by the Company as treasury shares pending a determination of whether such US Shareholders are able to receive Frontera Cayman Shares. US Shareholders who are not able to evidence that they are accredited shareholders (for the purposes of the US Securities Act) will receive cash in lieu of Frontera Cayman Shares and such corresponding shares held in treasury as they were due will be cancelled by the Company in due course.

8.6 The shareholders listed in paragraph 8.5 above will not have different voting rights to other holders of Ordinary Shares.

8.7 Save as disclosed in this paragraph 8, none of the Directors nor any member of his immediate family or any person connected with him holds or is beneficially or non-beneficially interested, directly or indirectly, in any shares or options to subscribe for, or securities convertible into, shares of the Company or any of its subsidiary undertakings.

8.8 Save as disclosed in this paragraph 8, and so far as the Company is aware, no person, directly or indirectly, jointly or severally, exercises or could exercise control over the Company as at Admission.

8.9 Save for the implementation of the Proposals as described in Part III of this document, the Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

8.10 Save as disclosed in this document, no Director is or has been interested in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company or Frontera Delaware during the current or immediately preceding financial year or which were effected during any earlier financial year and remain in any respect outstanding or unperformed.

8.11 Save as disclosed in this document, there are no outstanding loans or guarantees provided by the Company or Frontera Delaware or any of their subsidiary undertakings to or for the benefit of any of the Directors.

8.12 No Director nor any member of his family or any person connected with him has a Related Financial Product (as defined in the AIM Rules for Companies) referenced to Ordinary Shares.

9. DIRECTOR AND OFFICER EMPLOYMENT AGREEMENTS

Messrs. Steve Nicandros and Zaza Mamulaishvili

9.1 Messrs. Nicandros and Mamulaishvili are employed by Frontera Delaware pursuant to executive employment agreements with Frontera Delaware dated 1 April 2008 in respect of Mr. Nicandros (as amended by an amended employment contract dated 30 December 2008), and 1 December 2008 (as amended by an amended employment contract dated 30 December 2008) in respect of Mr. Mamulaishvili (the "Officer Employment Agreements"). Upon the Merger becoming effective, the Officer Employment Agreements will be assumed by Frontera Cayman.

Mr. Nicandros is President and Chief Executive Officer of Frontera Delaware and Mr. Mamulaishvili is Executive Vice President of Frontera Delware and General Director of the Operating Company. Mr. Nicandros' current annual salary is US$550,000. The contracts provide for participation in bonus and stock options programs and for three weeks annual holiday.

The contracts prohibit conflicts of interest, contain confidentiality obligations, protect Frontera Delware's rights to intellectual property created by the director/officer in the course of his employment and contain a limited non-competition clause. Each contract is for an initial term of six months continuing thereafter until terminated by either party. Disputes arising under the contracts are subject to mandatory binding arbitration. If the director/officer is discharged without cause, he is entitled to payment of salary and bonuses and specified insurance benefits, until 12 months after termination.

If a change of control of Frontera Delaware occurs and if either (i) the director's/officer's employment is terminated or (ii) the director/officer resigns after his terms and conditions of employment relating to, *inter alia*, his responsibility, position, salary and benefits have been altered in a manner detrimental to the director/officer without his consent, then the director/officer is entitled to payment of salary and bonus and specified insurance benefits, until three years after termination of employment. Change of control is defined as the date that the board of directors declares that: (i) a person has acquired 30 per cent. of the voting shares of Frontera Delaware; (ii) there is a complete change to the board of directors or a significant change to the officers of Frontera Delaware; (iii) certain insolvency events

occur; and (iv) a "business combination" within an "interested stockholder" has occurred under Delaware General Corporation Law. The same provisions may apply to termination of a director's/officer's employment or resignation by the director/officer up to six months before a change of control if the event was in connection with an anticipated change of control. The Proposals, including the Merger, do not constitute a change of control of Frontera Delaware for the purposes of the Officer Employment Agreements.

The contracts provide for a benefits package consisting of personal health insurance and the right to participate in the Group's dependent health insurance policy, dental, vision, disability, accident or death and life insurance programmes.

Messrs. Andrew Szescila, Stephen McGregor and Luis Giusti

9.2 Messrs. Andrew Szescila, Stephen McGregor and Luis Giusti serve as directors of Frontera Delaware but do not have in place any employment or service agreements. Frontera Delaware remunerates these Directors by way of grant of stock options on a discretionary basis. Frontera Cayman intends to continue this arrangement following Admission.

9.3 Save as disclosed in this document, there are no service agreements or agreements for the provision of services, existing or proposed, between the directors of Frontera Delaware or Frontera Cayman, or any of their subsidiaries or subsidiary undertakings.

10. TAXATION

10.1 The following statements are intended as a general guide only to the ownership or disposal of the Ordinary Shares and do not concern the consequences of the Proposals. No statements are made with respect to the tax treatment of the ownership or disposal of the Ordinary Shares in any jurisdiction other than the Cayman Islands, the United States and the United Kingdom. They are not intended to be exhaustive and investors who are subject to tax in any jurisdiction other than the Cayman Islands, the United States or the United Kingdom, who are in any doubt as to their tax position, or whose tax status is not addressed by the disclosures below, are strongly advised to seek independent professional advice without delay in connection with the tax consequences of investing in, trading in and disposing of the Ordinary Shares.

Cayman Islands taxation

10.2 The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty.

There are no other taxes likely to be material to Frontera Cayman levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of the Cayman Islands.

There are no exchange control regulations or currency restrictions in the Cayman Islands.

Frontera Cayman has, pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, obtained an undertaking from the Governor in Cabinet that:

(i) no law that is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to Frontera Cayman or its operations; and

(ii) no tax to be levied on profits or income or gains or appreciation or which is in the nature of estate duty or inheritance tax shall be payable on the shares, debentures or other obligations of Frontera Cayman, or by way of the withholding in whole or in part of any payment in the form of a dividend or other distribution of income or capital to its members or a payment of principal or interest or other sums due under a debenture or other obligation of the Company.

These concessions shall be for a period of 20 years from the 31 May 2011.

United States taxation

10.3 The following is a summary of material US federal income tax considerations based on present law of certain US federal income tax considerations for shareholders relating to the acquisition, holding and disposal of Frontera Cayman Shares. This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), and other U.S. tax laws, regulations, rulings and decisions, all as currently in effect. All of the foregoing are subject to change, which change may apply retroactively and could affect the continued validity of this summary.

This summary relates only to initial shareholders who hold their Frontera Cayman Shares as "capital assets" within the meaning of Section 1221 of the Code. This summary does not consider the circumstances of particular holders, some of which are subject to special tax regimes, such as, but not limited to: partnerships and other pass-through entities; banks and other financial institutions; insurance companies; securities traders and dealers; brokers; real estate investment trusts; grantor trusts; tax-exempt organizations; employee stock ownership plans; certain expatriates; "controlled foreign corporations"; "passive foreign investment companies"; regulated investment companies; persons deemed to sell Frontera Cayman Shares under the constructive sale provisions of the Code; US persons whose functional currency is not the US dollar; or persons who will hold any portion of Frontera Cayman Shares as part of a hedge, straddle, conversion, integrated or constructive sale transaction. Moreover, this summary does not address the alternative minimum tax, any state, local or foreign tax laws, or any US federal estate and gift tax considerations.

This summary is not a substitute for tax advice and shareholders should consult their own tax advisors regarding the US federal tax consequences of acquiring, holding and disposing of any Frontera Cayman Shares in their particular circumstances, as well as any tax consequences that may arise under the laws of any state, local or foreign taxing jurisdiction.

Frontera Cayman is classified as a US Corporation for US federal tax purposes

Under Section 7874 of the Code, a corporation reorganised outside of the United States will continue to be treated as a US corporation for US federal income tax purposes, when: (i) the foreign corporation directly or indirectly acquires substantially all of the assets held directly or indirectly by a US corporation; (ii) the shareholders of the acquired US corporation hold at least 80 per cent. of the vote or value of the shares of the foreign acquiring corporation by reason of holding stock in the US acquired corporation; and (iii) the foreign corporation's "expanded affiliated group" does not have substantial business activities in the foreign corporation's country of incorporation relative to its expanded affiliated group's worldwide activities.

Accordingly, Frontera Cayman should be treated as a US corporation for US federal income tax purposes after the Merger because: (i) Frontera Cayman will acquire substantially all of Frontera Delaware's assets, (ii) 80 per cent. of more of the Frontera Cayman Shares will be held by shareholders of Frontera Delaware Shares or holders of Old Notes of Frontera Delaware who exchanged their Old Notes for Frontera Cayman Shares pursuant to the Exchange Offer; and (iii) Frontera Cayman's "expanded affiliated group" does not have substantial business activities in the Cayman Islands relative to its expanded affiliated group's worldwide activities.

US Shareholders of Frontera Cayman Shares

For purposes of the following discussion, a "US shareholder" is a holder of Frontera Cayman Shares that is: (i) a citizen or individual resident of the United States; (ii) a corporation created or organized in the United States or under the laws of the United States or any political subdivision thereof; (iii) an estate the income of which is subject to US federal income taxation regardless of its source; or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US fiduciaries have the authority to control all substantial decisions of the trust or (b) the trust was in existence on 20 August 1996 and properly elected to be treated as a US person.

Tax on Dividends paid by Frontera Cayman

A US shareholder will be required to include in gross income as dividend income the amount of any distribution paid on Frontera Cayman Shares on the date the distribution is received to the extent the distribution is paid out of Frontera Cayman's current or accumulated earnings and profits, as determined for US federal income tax purposes. Dividends that are paid to non-corporate US shareholders during tax years beginning prior to 1 January 2013 will be subject to tax at long-term capital gain rates, provided certain holding period and other requirements are satisfied. Distributions in excess of Frontera Cayman's current and accumulated earnings and profits will be applied against and will reduce the US shareholder's basis in its Frontera Cayman Shares and will be treated as capital gain to the extent they exceed a US shareholder's tax basis in its Frontera Cayman Shares.

Tax on Sale, Exchange or other Disposition of Frontera Cayman Shares

Unless a non-recognition provision applies, a US shareholder generally will recognise taxable gain or loss upon a sale, exchange or other disposition of its Frontera Cayman Shares, measured by the difference, if any, between (i) the amount of cash and the fair market value of any property received, and (ii) the US shareholder's adjusted tax basis in its Frontera Cayman Shares.

Capital gains of non-corporate US shareholders derived with respect to a sale, exchange or other disposition of Frontera Cayman Shares held for more than one year may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. US shareholders are urged to consult their own tax advisors regarding such limitations.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to certain payments to a US shareholder of dividends paid on Frontera Cayman Shares, and the proceeds of a sale, exchange, or other disposition of Frontera Cayman Shares unless the US shareholder is an exempt recipient (such as a corporation). Backup withholding tax may apply to such payments if the US shareholder fails to provide its taxpayer identification number or proper certification of exempt status or fails to report in full dividend income. The current backup withholding rate is 28 per cent. and applies to payments through the year 2012. Any amount withheld under the backup withholding rules from a payment to a US shareholder will be refunded (or credited against such US shareholder's US federal income tax liability, if any), provided the required information is furnished to the IRS.

Non-US Shareholders of Frontera Cayman Shares

For purposes of this discussion a "Non-US shareholder" is any shareholder other than a US shareholder and other than a partnership (or other entity that is treated as a partnership for US federal income tax purposes).

Tax on Dividends paid by Frontera Cayman

If Frontera Cayman makes a distribution of cash or other property (other than certain *pro rata* distributions of Frontera Cayman Shares) in respect to Frontera Cayman Shares, the distribution will be treated as a dividend to the extent it is paid from our current or accumulated earnings and profits, as determined under US federal income tax principles.

Any such distributions treated as dividends that are paid to, or for the benefit of, a Non-US shareholder generally will be subject to US federal withholding tax at a rate of 30 per cent., or at a lower rate if provided by an applicable income tax treaty or provision of the Code. To receive the benefit of the reduced treaty rate, the Non-US shareholder generally must provide Frontera Cayman or, if applicable, the custodian or paying agent, with the appropriate documentation (generally, IRS Form W-8BEN) required to claim benefits under such treaty prior to the distribution.

If, however, a dividend is effectively connected with the conduct of a trade or business in the US by the Non-US shareholder, the dividend generally will not be subject to the 30 per cent. US federal withholding tax if the Non-US shareholder has provided the appropriate documentation (generally,

IRS Form W-8ECI) to Frontera Cayman or, if applicable, the custodian or paying agent, prior to the distribution. Instead, the Non-US shareholder generally will be subject to US federal income tax on a net income basis in substantially the same manner as a US shareholder (except as provided by an applicable tax treaty). Dividends that are effectively connected with the conduct of a trade or business in the US by a corporate Non-US shareholder may also be subject to a branch profits tax at the rate of 30 per cent. (or a lower rate if provided by an applicable tax treaty).

Tax on Sale, Exchange or other Disposition of Frontera Cayman Shares

Subject to the discussion of backup withholding below, a Non-US shareholder generally will not be subject to US federal income or withholding tax on any gain (excluding any amount treated as interest) recognised on the sale, exchange or other taxable disposition of Frontera Cayman Shares, unless:

(i) such Non-US shareholder is a nonresident alien individual who is present in the US for 183 days or more in the taxable year of such sale, exchange, redemption, retirement or other disposition and certain other conditions are met;

(ii) such gain is effectively connected with a Non-US shareholder's conduct of a trade or business in the United States, and the gain is attributable to a permanent establishment that such Non-US shareholder maintains in the United States, if that is required by an applicable income tax treaty as a condition to subjecting such Non-US shareholder to US taxation on a net income basis; or

(iii) the Frontera Cayman Shares constitute a "US real property interest" by reason of Frontera Cayman's status as a "US real property holding corporation" for US federal income tax purposes during a specified testing period and certain other conditions are met.

Unless an applicable income tax treaty provides otherwise, gain described in (ii) above will be subject to US federal income tax on a net income basis at the regular graduated US federal income tax rates in much the same manner as if such shareholder were a resident of the United States. If you are a corporate Non-US shareholder, "effectively connected" gains that you recognise may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30 per cent. rate or at a lower rate if such Non-US shareholder is eligible for the benefits of an income tax treaty that provides for a lower rate. Non-US shareholders are urged to consult with their own tax advisers regarding any applicable income tax treaties that may provide for different rules.

With respect to (iii) above, generally, a corporation is a "US real property holding corporation" if the fair market value of its US real property interests equals or exceeds 50 per cent. of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business (all as determined for US federal income tax purposes). Frontera Delaware and the Company do not believe that they are, or have been a "US real property holding corporation" nor do they presently anticipate that Frontera Cayman will become one.

Withholdable Payments to Foreign Financial Entities and Other Foreign Entities

A 30 per cent. withholding tax will be imposed on certain payments that are made by a US issuer after 31 December 2013 to certain foreign financial institutions, investment funds and other non-US persons that fail to comply with information reporting requirements in respect of their direct and indirect United States shareholders and/or United States accountholders. Such payment would include US-source dividends and the gross proceeds from the disposition of stock that produces US-source dividends.

Information Reporting and Backup Withholding

Generally, the amount of dividends on Frontera Cayman Shares paid to a Non-US shareholder, and the amount of any tax withheld from such payments, must be reported annually to the IRS and to the Non-US shareholder. Copies of these information returns may be made available by the IRS to the tax

authorities of the country in which the Non-US shareholder is a resident under the provisions of an applicable tax treaty or agreement.

The information reporting and backup withholding rules generally will not apply to payments of dividends on Frontera Cayman Shares to a Non-US shareholder if such shareholder certifies under penalties of perjury that it is not a US person (generally by providing an IRS Form W-8BEN) or otherwise establishes an exemption. Payment of the proceeds of the sale, exchange, or other disposition of Frontera Cayman Shares to or through a foreign office of a US broker, or of a foreign broker with certain specified US connections, generally will be subject to information reporting requirements, but not backup withholding, unless the broker has evidence in its records that the payee is not a US person and has no knowledge or reason to know to the contrary. Payments of the proceeds of a sale, exchange, or other disposition of Frontera Cayman Shares to or through the US office of a broker will be subject to information reporting and backup withholding unless the payee certifies under penalties of perjury that it is not a US person (generally by providing an IRS Form W-8BEN) or otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against the Non-US shareholder's US federal income tax liability provided the required information is furnished on a timely basis to the IRS.

INTERNAL REVENUE SERVICE CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH INTERNAL REVENUE CIRCULAR 230, SHAREHOLDERS ARE HEREBY NOTIFIED THAT: (i) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (ii) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE COMPANY OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (iii) SHAREHOLDERS SHOULD SEEK ADVICE BASED ON THEIR OWN PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

United Kingdom taxation

10.4 Following the Merger and Admission, the paragraphs set out below summarise certain UK tax considerations for UK shareholders relating to the acquisition, holding and disposal of Frontera Cayman Shares. They are based on current UK legislation and an understanding of current HM Revenue & Customs ("HMRC") published practice as at the date of this document, all of which are subject to change, possibly with retroactive effect, or to different interpretation. The paragraphs are intended as a general guide and, except where express reference is made to the position of non-UK residents, apply only to UK Shareholders who are resident and, if individuals, ordinarily resident and domiciled in the UK for tax purposes. They relate only to such UK Shareholders who hold their Frontera Cayman Shares directly as an investment and who are absolute beneficial owners of those Frontera Cayman Shares. These paragraphs do not deal with certain types of shareholders, such as persons disposing, holding or acquiring Frontera Cayman Shares in the course of trade or by reason of their, or another's, employment, collective investment schemes and insurance companies. They may also not be applicable to investors that control or hold, either alone or together with one or more associated or connected persons, directly or indirectly, a 10 per cent. or greater interest in Frontera Cayman.

If you are in any doubt as to your taxation position or if you are resident, domiciled or otherwise subject to taxation in any jurisdiction other than the UK, you should consult an appropriate professional adviser immediately. Shareholders are referred to the sections above headed "Cayman Islands taxation" and "United States taxation" for a description of the tax consequences of holding Frontera Cayman Shares in such jurisdictions.

Disposal of Frontera Cayman Shares – tax on chargeable gains

A disposal of Frontera Cayman Shares by a shareholder who is resident or ordinarily resident in the UK may, depending on individual circumstances (including the availability of exemptions and reliefs), give rise to a chargeable gain or allowable loss for the purposes of the UK taxation of chargeable gains.

Individuals

A disposal of Frontera Cayman Shares by an individual who is liable to UK capital gains tax will, subject to the availability of any exemptions, reliefs and/or allowable losses, be subject to capital gains tax (at the rate of 18 per cent. for basic rate taxpayers, or 28 per cent. for individuals with total taxable income and gains above the upper limit of the basic rate income tax band) with no taper relief or indexation allowance being available. The annual exemption for individuals for the 2011–2012 tax year is £10,600.

Individuals who are temporarily non-UK resident may, in certain circumstances, be subject to tax in respect of gains realized whilst they are not resident in the UK. An individual holder who ceases to be resident or ordinarily resident in the UK for a period of less than five years and who disposes of his Frontera Cayman Shares during that period may also be liable on returning to the UK for UK taxation on capital gains despite the fact that such holder may not be resident or ordinarily resident in the UK for UK tax purposes at the time of the disposal.

Companies

For a corporate entity holding Frontera Cayman Shares, any chargeable gain will be included in the company's profits chargeable to corporation tax and unless exempted, taxed at the appropriate rate of corporation tax (currently a maximum of 26 per cent.). In calculating a company's chargeable gain, indexation allowance is available on the original allowable cost of the shares. Broadly speaking, indexation allowance increases the acquisition cost of an asset for tax purposes in line with the rise in the Retail Prices Index. Indexation allowance cannot create or augment an allowable loss for the company and is therefore restricted to the point that no gain and no loss arises.

Disposal of Frontera Cayman Shares by non-UK resident shareholder

Shareholders who are not resident or, in the case of individuals, ordinarily resident for tax purposes in the UK may not be liable for UK tax on chargeable gains realized on a disposal of their Frontera Cayman Shares unless such Frontera Cayman Shares are acquired for use by or for the purposes of a branch, agency or, in the case of a corporate shareholder, a permanent establishment through which such person is carrying on a trade, profession or vocation in the UK. Such shareholders may also be subject to foreign taxation on any gain under local law.

A shareholder who is an individual and who is temporarily a non-UK resident at the time of the disposal may, under anti-avoidance legislation, still be liable to UK taxation on any chargeable gain realized (subject to the availability of exemptions or reliefs).

Tax on dividends paid by Frontera Cayman

Individuals

Subject to comments below regarding the availability of a UK tax credit, a UK resident individual shareholder will be subject to UK income tax at the appropriate rate on the cash dividend received. For the tax year 2011–2012, the appropriate rate for a shareholder who is liable to income tax at the basic rate will be 10 per cent.; for a shareholder liable to income tax at the higher rate it will be 32.5 per cent.; and for a shareholder liable to income tax at the additional rate it will be 42.5 per cent.

Individuals with not more than a 10 per cent. shareholding in Frontera Cayman

An individual holder of Frontera Cayman Shares who is resident in the UK for tax purposes may be entitled to a UK tax credit which may be set off against his total income tax liability on the dividend.

Such an individual shareholder's liability to income tax is calculated on the gross dividend, which will be regarded as the top slice of the individual's income i.e. taxed at the highest applicable rate. If available, such a tax credit will be equal to 10 per cent. of the gross dividend (i.e. the tax credit will be one-ninth of the amount of the dividend).

A UK resident individual holder of Frontera Cayman Shares who is not liable to income tax in respect of the gross dividend will not be entitled to reclaim any part of the tax credit referred to above. A UK resident shareholder who is liable to income tax at the basic rate will be subject to income tax on the dividend at the rate of 10 per cent. of the gross dividend so that the tax credit will satisfy in full such shareholder's liability to income tax on the dividend. A UK resident individual shareholder liable to income tax at the higher rate will generally be subject to income tax on the gross amount of the dividend at 32.5 per cent. but will be able to set the UK tax credit (if available) off against part of this liability. The effect of this set off is that such a holder will have to account for additional UK tax equal to one quarter of the net cash dividend received. A UK resident individual shareholder liable to income tax at the additional rate will generally be subject to income tax on the gross amount of the dividend at 42.5 per cent. but will be able to set the UK tax credit (if available) off against part of this liability. The effect of this set off is such that the holder will have to account for additional UK tax equal to 36.11 per cent. of the net cash dividend received.

Companies

A company that is resident in the UK for tax purposes will generally be exempt from corporation tax on dividends received from companies resident outside the UK. There are various exceptions to this exemption, depending on the size of the corporate shareholder. In particular, for "small" recipient companies, where a "small company" is one which meets the definition of a small or micro enterprise as defined in the Annex to Commission Recommendation 2003/361/EC of 6 May 2003, dividends may be within the charge to UK corporation tax. Anti-avoidance provisions also exist. It is anticipated that the majority of UK-resident corporate holders of Frontera Cayman Shares will be exempt from corporation tax on dividends received, but they should confirm their tax position with a specialist tax adviser.

If Frontera Cayman dividends are not exempt they will be included in the company's profits chargeable to corporation tax and taxed at the appropriate rate of corporation tax (currently a maximum of 26 per cent.).

Foreign withholding taxes

It is stated above that the Government of the Cayman Islands will not, under existing legislation, impose any withholding tax upon Frontera Cayman Shareholders.

Pursuant to the US anti-inversion rules, however, Frontera Cayman should be treated as a US corporation for US federal income tax purposes.

For the duration that Frontera Cayman is treated as a US corporation for US federal income tax purposes, any dividends paid by Frontera Cayman to UK Shareholders will be subject to US withholding tax. Under current US domestic tax law, a dividend withholding tax rate of 30 per cent. applies. UK Shareholders may be able to access reduced withholding tax rates under the 2001 Income and Capital Gains Tax Convention between the UK and the US.

Under UK tax law, any US withholding tax suffered on dividends paid by Frontera Cayman should be creditable against any UK tax liability of the UK shareholder on that income. However, no repayment would be available for any US withholding tax suffered in excess of that UK tax liability.

Provision of information

It should be noted that persons in the UK paying "foreign dividends" to, or receiving "foreign dividends" on behalf of, another person may be required to provide certain information to HMRC regarding the identity of the payee or the person entitled to the "foreign dividend" and, in certain

circumstances, such information may be exchanged with tax authorities in other countries. Certain payments on or under the Frontera Cayman Shares may constitute "foreign dividends" for this purpose.

Stamp duty and stamp duty reserve tax ("SDRT")

No UK stamp duty or SDRT will generally be payable on the issue of Frontera Cayman Shares in certificated form or represented by dematerialised Depositary Interests ("DIs").

UK stamp duty should generally not need to be paid on a transfer of Frontera Cayman Shares held in certificated form.

No UK SDRT will be payable in respect of any unconditional agreement to transfer Frontera Cayman Shares held in certificated form unless the Frontera Cayman Shares are registered in a register kept in the UK by or on behalf of Frontera Cayman or are paired with any UK shares. It is not intended that such a register will be kept in the UK or that the Frontera Cayman Shares will be paired with any UK shares.

UK stamp duty will not be payable on a transfer of DIs.

UK SDRT will generally be payable on an unconditional agreement to transfer DIs at a rate of 0.5 per cent. of the consideration paid. This is on the basis that the Frontera Cayman Shares will need to be represented by DIs issued by the Depositary in order to be held in CREST and that the conditions for exemption from charge set out in The Stamp Duty Reserve Tax (UK Depositary Interests in Foreign Securities) Regulations 1999 are not satisfied.

THE STATEMENTS IN THIS PARAGRAPH SUMMARISE THE CURRENT POSITION ON STAMP DUTY AND SDRT AND ARE INTENDED AS A GENERAL GUIDE ONLY. SPECIAL RULES APPLY TO AGREEMENTS MADE BY, AMONGST OTHERS, INTERMEDIARIES AND CERTAIN CATEGORIES OF PERSON MAY BE LIABLE TO STAMP DUTY OR SDRT AT HIGHER RATES OR MAY, ALTHOUGH NOT PRIMARILY LIABLE FOR THE TAX BE REQUIRED TO NOTIFY AND ACCOUNT FOR IT UNDER THE STAMP DUTY RESERVE TAX REGULATIONS 1986.

11. MATERIAL CONTRACTS

The following material contracts set out in this paragraph 11 are those contracts which have been entered into by a member of the Group: (i) in the two years immediately preceding the date of this document (other than in the ordinary course of business); (ii) which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document (other than those entered into in the ordinary course of business); and (iii) and include any other material subsisting agreement which relates to the assets and liabilities of the Group (notwithstanding whether such agreements are within the ordinary course of business or were entered into outside of the two years immediately preceding the date of this document).

Upon the Merger becoming effective, *inter alia*, all contracts of each of Frontera Delaware and Frontera Cayman which were effective immediately before the date of the Merger, will be vested in or assumed for all purposes, as contracts of Frontera Cayman and shall be effective and binding on Frontera Cayman in the same manner as they were with respect to Frontera Delaware or Frontera Cayman, as the case may be, before the Merger becoming effective.

Block 12 PSA and Mineral Licence

11.1 A summary of the Block 12 PSA and the Mineral Licence is set out in Part VI of this document.

Placing Agreement

11.2 A placing agreement dated 28 June 2011, entered into between Frontera Cayman, Strand Hanson and the Placing Agents (the "Placing Agreement"), pursuant to which conditional upon, *inter alia*:

(i) Admission taking place on or before 8.00 a.m. on 2 August 2011 (or such later time and or date as Frontera Cayman, Strand Hanson and the Placing Agents may agree, being not later than 5.00 p.m. on 31 August 2011); (ii) the Merger having become effective in accordance with the terms of the Merger Agreement; (iii) the Exchange Offer and the Management Debt Conversion each having become unconditional in accordance with their terms (except in respect of any condition as to the Placing Agreement and Admission); (iv) the SEDA having become unconditional in accordance with its terms (except in respect of any condition as to the Placing Agreement and Admission); and (v) the Subscription Agreements having been entered into and having become unconditional (except in respect of any condition as to the Placing Agreement and Admission), the Placing Agents have agreed to use their reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price.

The Placing Agreement contains certain warranties and indemnities from Frontera Cayman in favour of Strand Hanson and the Placing Agents. The Placing Agents jointly or Strand Hanson are entitled to terminate the Placing Agreement in certain circumstances prior to the Merger becoming effective, including where any of the warranties given are found to be untrue or inaccurate in any material respect.

Under the Placing Agreement Frontera Cayman has agreed to: (i) pay Arbuthnot a commission equal to 4 per cent. of the gross proceeds of the Placing which are attributed to Placees procured by Arbuthnot, with such commission being satisfied by the allotment and issue to Arbuthnot of 3,198,362 of the Placing Shares; (ii) pay Old Park Lane a commission equal to 5 per cent. of the gross proceeds of the Placing which are attributed to Placees procured by Old Park Lane plus an additional £40,000, with such amounts being satisfied by the allotment and issue to Old Park Lane of 1,687,500 of the Placing Shares; (iii) pay Strand Hanson a corporate finance fee of £375,000, with such fee will be satisfied by the allotment and issue to Strand Hanson of 9,375,000 of the Placing Shares; (iv) issue on Admission, warrants to subscribe at the Placing Price for Ordinary Shares to Strand Hanson (warrants representing 0.5 per cent. of the issued capital of Frontera Cayman immediately following Admission, estimated as at the date of the Placing Agreement to be 9,213,530 warrants exercisable for two years from the date of Admission); Arbuthnot (1,649,181 warrants, representing 2 per cent. of the gross proceeds raised by it, exercisable for two years from the date of Admission) and Old Park Lane (687,500 warrants, representing 5 per cent. of the gross proceeds raised by it, exercisable for three years from the date of Admission).

Neither Strand Hanson nor the Placing Agents are under any obligation to subscribe for or purchase any of the Placing Shares which are not subscribed for pursuant to the Placing.

The Placing Shares have not been registered under the US Securities Act, or with any securities regulatory authority of any jurisdiction.

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

Nominated Adviser Agreement with Strand Hanson

11.3 A nominated adviser agreement dated 13 April 2010 (the "Nominated Adviser Agreement") was entered into between Frontera Delaware and Strand Hanson, pursuant to which Strand Hanson was appointed as the nominated adviser to Frontera Delaware for the purposes of the AIM Rules.

Under the Nominated Adviser Agreement, Frontera Delaware has agreed to pay Strand Hanson a retainer fee of £50,000 per annum and to issue to its subsidiary, Strand Hanson Securities Limited, a warrant to subscribe, at any time during the two years following the date of issue of the warrant, for 0.5 per cent. of the issued share capital of Frontera Delaware (as at the date at of Admission of Frontera Cayman) at an exercisable price per share equivalent to the price per ordinary share at which the conversion of the loan notes is executed (being the Placing Price), subject to a limit on the value of such warrant of US$500,000.

The Nominated Adviser Agreement is subject to termination on the giving of 30 days' written notice by either party, except that Frontera Delaware cannot terminate (unless Strand Hanson have committed a material breach) before the end of the initial period of six months. The Nominated

Adviser Agreement may be terminated by either party immediately where the other party has committed a material breach of the agreement and does not remedy such a breach within seven days.

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

Strand Hanson Engagement Letter

11.4 An engagement letter dated 23 March 2011 (the "Strand Hanson Engagement Letter") was entered into by Frontera Delaware and Strand Hanson pursuant to which Frontera Delaware appointed Strand Hanson to act as financial adviser in relation to the Placing and the Exchange Offer.

Under the terms of the Strand Hanson Engagement Letter, Frontera Delaware agreed to pay a cash fee equal to 0.5 per cent. of the gross funds raised in the Placing on completion of the Placing and the Exchange Offer. Under the agreement, Frontera Delaware gave certain customary undertakings and indemnities to Strand Hanson in connection with its engagement.

Strand Hanson Fee Amendment Letter

11.5 A fee amendment letter dated 27 June 2011 (the "Strand Hanson Fee Amendment Letter") was entered into between Frontera Delaware and Strand Hanson pursuant to which Frontera Delaware has agreed to remove the value limit of US$500,000 imposed on the warrant issued to Strand Hanson under the Nominated Adviser Agreement.

Under the Strand Hanson Fee Amendment Letter, Frontera Delware has agreed to issue to Strand Hanson Securities Limited a warrant to subscribe for 0.5 per cent. of the issued share capital of Frontera Delaware as at the date of Admission of Frontera Cayman (but prior to any drawdown by Frontera Cayman under the SEDA), summarised at paragraph 11.18(iii) of this Part VII.

In addition, Frontera Delaware has agreed that the Strand Hanson Engagement Letter shall be amended so as to provide that Frontera Delaware shall pay Strand Hanson a fee of £375,000, payable in shares on the date of Admission of Frontera Cayman, such number of shares to be based on the Placing Price.

The Strand Hanson Engagement Letter is governed by the laws of England and Wales.

Arbuthnot Engagement Letter

11.6 An engagement letter dated 8 February 2011 (the "Arbuthnot Engagement Letter"), was entered into by Frontera Delaware and Arbuthnot, pursuant to which Frontera Delaware appointed Arbuthnot to act as broker in relation to the Placing.

Under the terms of the Arbuthnot Engagement Letter, Frontera Delaware agreed to pay: (i) a broking commission of: (a) 4 per cent. on the first US$30 million; and (b) 5 per cent. of the amount exceeding US$30 million, in respect of the total funds raised by Arbuthnot under the Placing; (ii) the warrants pursuant to the warrant agreement summarised at paragraph 11.18(i) of this Part VII; and (iii) a monthly retainer fee of £15,000 starting from the date of the agreement, subject to a maximum two months' retainer and payable at Frontera Delaware's discretion, either (a) in cash, or (b) through the issue of 500,000 two-year warrants priced at market price as at 8 February 2011.

Under the terms of the Arbuthnot Engagement Letter, Frontera Delaware gave certain customary undertakings and indemnities to Arbuthnot in connection with its engagement.

The Arbuthnot Engagement Letter is governed by the laws of England and Wales.

OPL Engagement Letter

11.7 An engagement letter dated 18 May 2011 (the "OPL Engagement Letter"), was entered into by Frontera Delaware and OPL pursuant to which Frontera Delaware appointed OPL to act as broker in relation to the Placing and to provide certain mergers and acquisitions and incidental corporate advisory and introduction services to Frontera Delaware.

Under the terms of the OPL Engagement Letter, Frontera Delaware agreed to pay: (i) a five per cent. commission on the total funds received by Frontera Delaware from investors procured by OPL as part of the Placing; (ii) a monthly retainer fee of £3,750 for OPL's services as broker to Frontera Delaware; (iii) a grant of shares to the value of £40,000, such shares to be valued at the Placing Price; and; (iv) the warrants pursuant to the warrant instrument summarised at paragraph 11.18(ii) of this Part VII of this document.

Under the OPL Engagement Letter, Frontera Delaware gave certain customary undertakings and indemnities to OPL in connection with its engagement.

The OPL Engagement Letter is governed by the laws of England and Wales.

Cornhill Engagement Letter

11.8 An engagement letter dated 15 June 2011 (the "Cornhill Engagement Letter"), was entered into between Frontera Delaware and Cornhill Capital Limited ("Cornhill") pursuant to which Cornhill was appointed to provide a variety of consultancy services to Frontera Delaware relating to the promotion of trading of Frontera Delaware Shares.

Under the terms of the Cornhill Engagement Letter, Frontera Delaware agreed to pay Cornhill: (i) an annual retainer of £20,000, plus VAT; (ii) a commission calculated at a rate of 5 per cent. of the gross aggregate value of any equity, debt or other financial instrument whatsoever raised directly as a result of an introduction by Cornhill either during the course of Cornhill's engagement or during the period of 12 months following termination of Cornhill's engagement; and (iii) a commission calculated at a rate of 1 per cent. of the gross aggregate value of any equity, debt or other financial instrument whatsoever raised directly as a result of an introduction by Cornhill either during the course of Cornhill's engagement or during the period of 12 months following termination of Cornhill's engagement in the form of warrants valid for 24 months from the issue date which shall give Cornhill the right to acquire 1 per cent. of the gross aggregate value of funds raised convertible into equity of Frontera Delaware at a share price equal to the price at which the funds were raised.

Cornhill's appointment is terminable on 90 days written notice but such notice cannot be given in the first 9 months.

Cornhill's engagement is governed by Cornhill's standard terms and conditions which contain an indemnity in favour of Cornhill.

The Cornhill Engagement Letter is governed by the laws of England and Wales.

SEDA

11.9 A standby equity distribution agreement dated 28 June 2011 (the "SEDA"), was entered into by Frontera Cayman and YAGM, pursuant to which YAGM, subject to certain conditions and limitations, including, *inter alia*, Admission, has agreed to subscribe for up to £21,529,060 of Frontera Cayman Shares (the "Commitment Amount") over a period of 36 months.

Under the SEDA, Frontera Cayman may, at its discretion, require YAGM to subscribe from time to time for a number of its shares (an "Advance") not to exceed, in general, the greater of £30,750 or 300 per cent. of the average volume weighted daily trading value of Frontera Cayman's issued shares for the 10 trading day period immediately preceding the date of the relevant notice requesting the Advance (an "Advance Notice"), provided that no Advance may be greater than £2,500,000 and subject to an overall limit of the Commitment Amount or, if less, the issue of 273,384,889 Frontera Cayman Shares.

Frontera Cayman may request an Advance no more than once every 10 trading days. There is no minimum amount required for any Advance. If the market price of Frontera Cayman Shares increases over each of the last two days of the Pricing Period (as defined below) Frontera Cayman has the right to increase the net amount of an Advance by 50 per cent.

The price at which Frontera Cayman will issue shares to YAGM will be 95 per cent. of the lowest daily volume weighted average price of the shares during the 10 consecutive trading days beginning on the first trading day after the relevant Advance Notice (the "Pricing Period"). Frontera Cayman may set a minimum price for each Advance not greater than 95 per cent. of the daily volume weighted average price of the shares on the trading day immediately before the relevant Advance Notice.

The Frontera Cayman Shares issued pursuant to any Advance will be delivered not later than the fifth trading day after the relevant Pricing Period. Upon delivery of the shares, the proceeds of such Advance will be released to Frontera Cayman.

Neither YAGM nor its affiliates may engage in any short sales with respect to Frontera Cayman's shares, provided that YAGM may during a Pricing Period sell any shares it anticipates receiving in an Advance. In such event, if the amount realised by YAGM exceeds the final Advance proceeds with respect to the shares sold during the Pricing Period by 5 per cent. or more, the price of such shares will be increased by an amount equal to 50 per cent. of such excess.

The SEDA is governed by the laws of England and Wales.

Registrar's Agreement

11.10 A registrar agreement dated 19 July 2011 (the "Registrar's Agreement"), was entered into between Frontera Cayman and Computershare Investor Services (Cayman) Limited ("Computershare Cayman"), pursuant to which Frontera Cayman appointed Computershare Cayman to act as its registrar and provide the services set out in the Registrar's Agreement.

In consideration of the services to be provided, Frontera Cayman has agreed to pay Computershare Cayman a set up fee of £1,500 and a minimum fixed annual fee of £7,500. Any additional services that Frontera Cayman may require during Computershare Cayman's engagement are set out in the schedule of fees to the Registrar's Agreement.

Subject to earlier termination, the Registrar's Agreement is for a fixed term of three years and thereafter until terminated by Frontera Cayman giving to Computershare Cayman not less than six months' notice, such notice not to expire prior to the first anniversary of Admission. Computershare may terminate the Registrar's Agreement on giving not less than three months' notice to Frontera Cayman. Either party may terminate the Registrar's Agreement at any time in certain other circumstances.

Computershare Cayman's maximum liability under the Registrar's Agreement in respect of any twelve month period is capped at an amount equal to twice Computershare Cayman's fees earned in that twelve month period. The parties are required under the Registrar's Agreement to indemnify each other in certain circumstances.

The Registrar's Agreement is governed by the laws of the Cayman Islands.

Provision of Depositary Services Agreement

11.11 An agreement for the provision of depositary and custody services dated 15 July 2011 (the "Depositary Agreement"), was entered into between Frontera Cayman and Computershare Investor Services Plc ("Computershare"), pursuant to which Frontera Cayman appointed Computershare to act as depositary and custodian in respect of the Depository Interests and to provide the services set out in the Depository Agreement.

In consideration of the services to be provided, Frontera Cayman has agreed to pay Computershare an annual fee of £8,000. Frontera Cayman has also agreed to pay Computershare £8,000 in respect of the compilation of the initial depository interests register and the provision of the draft documentation in respect of the Deed Poll and the Depository Agreement. There is a fee schedule in the Depository Agreement which stipulates the costs of any additional services that Frontera Cayman may require during Computershare's engagement including £1.00 per deposit, transfer or cancellation of any Depository Interests.

Subject to earlier termination, the appointment of Computershare is for a fixed term of one year and thereafter until terminated by either party giving to the other not less than six months' notice. Either party may also terminate the Depositary Agreement at any time in certain other circumstances.

Computershare's maximum liability under the Depositary Agreement in respect of any twelve month period is capped at an amount equal to twice Computershare's fees earned in that twelve month period. The parties are required under the Depositary Agreement to indemnify each other in certain circumstances.

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

Subscription Agreements

11.12 Two subscription agreements (the "Subscription Agreements") were entered into by Frontera Cayman on 28 June 2011; the first being with Zaza Mamulaishvili subscribing for 23,125,308 Frontera Cayman Shares at a price of US$0.065 per share and raising total proceeds of US$1,500,000; and the second being with CSTN, Ltd (an entity affiliated with Mr. Steve C. Nicandros, the Chairman of the board of directors and Chief Executive Officer), subscribing for 30,833,745 Frontera Cayman Shares at a price of US$0.065 per share and raising total proceeds of US$2,000,000 (the "Subscribers").

The obligation of the Subscribers to subscribe for their respective subscription shares and the obligation of Frontera Cayman to allot and issue such shares is conditional upon: (i) the Merger becoming effective in accordance with the terms of the Merger Agreement; and (ii) Admission.

The Subscription Agreements contain certain warranties and an indemnity from the Subscribers in favour of Frontera Cayman and certain warranties from Frontera Cayman in favour of the Subscribers.

Under the Subscription Agreements, the Subscribers agree that: (i) except as required by law, they are not entitled to cancel, terminate or revoke the Subscription Agreements; and (ii) the Subscription Agreements will survive the death or disability, if applicable, of the respective Subscribers and shall be binding upon and inure to the benefit of the parties and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

The Subscription Agreements are governed by the laws of the Cayman Islands.

Note Exchange Agreements

11.13 Two note exchange agreements (the "Note Exchange Agreements") were entered into by Frontera Cayman on 28 June 2011; the first being with Zaza Mamulaishvili in respect of loans totalling US$1,380,000; and the second being with CSTN, Ltd. (an entity affiliated with Mr. Steve C. Nicandros, the Chairman of the board of directors and Chief Executive Officer), in respect of loans totalling US$6,190,000 (the "Purchasers"). Details of these loans are set out in paragraph 4.22 of this Part VII and in respect of Mr. Nicandros such loans have subsequently increased to an aggregate sum of US$6,835,000.

Pursuant to the Note Exchange Agreements the Purchasers have agreed to convert the respective outstanding loans owed to them by Frontera Delaware in the sums stipulated above (plus accrued and unpaid interest) into Frontera Cayman Shares at a conversion price per share equivalent to the Placing Price.

The obligation of the Purchasers to purchase the Frontera Cayman Shares and the obligation of the Company to sell the Frontera Cayman Shares is conditional upon: (i) the Merger becoming effective in accordance with the terms of the Merger Agreement; and (ii) Admission.

The Note Exchange Agreements contain certain warranties and an indemnity from the Purchasers in favour of Frontera Cayman and certain warranties from Frontera Cayman in favour of the Purchasers.

Under the Note Exchange Agreements the Purchasers agree that: (i) except as required by law, they are not entitled to cancel, terminate or revoke the Note Exchange Agreements; and (ii) the Note Exchange Agreements will survive the death or disability, if applicable, of the respective Purchaser

and shall be binding upon and inure to the benefit of the parties and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

The Note Exchange Agreements are governed by the laws of the Cayman Islands.

Agreement and Plan of Merger

11.14 An agreement and plan of merger dated 28 June 2011 (as amended by an amended agreement and plan of merger dated 27 July 2011) (the "Merger Agreement"), was entered into between Frontera Delaware and Frontera Cayman whereby the two entities agreed to merge together upon the terms of the Merger Agreement with Frontera Cayman being the surviving entity, subject to the following conditions: (i) at least 75 per cent. of the holders of Old Notes having tendered and not withdrawn their Old Notes in exchange for Frontera Cayman Shares in connection with the Exchange Offer and the Exchange Offer having not been terminated; (ii) the adoption of certain amendments to the Old Note Purchase Agreements being approved by a majority of the holders of each class of the Old Notes; (iii) the Placing Agreement having not been terminated; (iv) the Subscription Agreements not having been terminated; (v) the SEDA not having been terminated; (vi) the Note Exchange Agreements not having been terminated; and (vii) Strand Hanson having confirmed that the London Stock Exchange would issue a notice with respect to the cessation of trading of the Frontera Delaware Shares on AIM. The Merger is intended to take effect upon the date of the filing of the Merger Agreement with the Registrar (the "Effective Date"). As at the date of this document, conditions (i) and (ii) have been satisfied, no terminations have occurred in respect of conditions (iii) to (vi) and it is anticipated that condition (vii) will be satisfied on 1 August 2011.

The rights and restrictions attaching to the shares of Frontera Cayman are set out in the Articles, which shall apply to Frontera Cayman as from the Effective Date.

As at the Effective Date: (i) All corporate acts, plans, policies, contracts, approvals and authorisations of Frontera Delaware and Frontera Cayman and their respective shareholders, boards of directors, committees elected or appointed thereby, officers and agents, which were valid and effective immediately prior to the Effective Date, are to be taken for all purposes as the acts, plans, policies, contracts, approvals and authorisations of Frontera Cayman; (ii) all rights, franchises and interests of Frontera Delaware and Frontera Cayman, respectively, in and to any type of property and choices in action are to be vested in Frontera Cayman by virtue of the Merger without any deed or other transfer; (iii) Frontera Cayman is to be liable for all liabilities of Frontera Delaware and Frontera Cayman, and all deposits, debts, liabilities, obligations and contracts of Frontera Delaware and Frontera Cayman, respectively.

Upon the Effective Date, the following share exchanges will occur simultaneously: (i) Frontera Cayman will repurchase the outstanding Frontera Cayman Share in accordance with the Articles and such share will be cancelled; (ii) non-US shareholders of Frontera Delaware will receive one Frontera Cayman Share in exchange for every one existing Frontera Delaware Share that they hold; (iii) US shareholders of Frontera Delaware will be allocated one Frontera Cayman Share in exchange for every one existing Frontera Delaware Share that they hold but these will initially be issued to a nominee of the Company and thereafter surrendered and held as treasury shares by the Company for transfer to such US shareholders who have completed and executed letters of transmittal permitting the Surviving Corporation to determine that such US shareholders are to receive the appropriate amount of either stock or cash consideration pursuant to the terms of the Merger Agreement.

The board of directors and officers of Frontera Cayman following the Effective Date shall consist of all the persons who are directors or officers, as applicable, of Frontera Cayman immediately before the Effective Date.

The Merger Agreement may be terminated at any time before the Effective Date: (i) by written notice by either Frontera Delaware or Frontera Cayman to the other, authorised or approved by resolutions adopted by the board of directors of the party giving such notice, if for any reason the consummation of the Merger is determined to be inadvisable in the joint and mutual opinions of the boards of

directors of Frontera Delaware and Frontera Cayman, or (ii) by written notice by either party if the Effective Date does not occur on or before 5.00 p.m., London Time, on 31 August 2011. Upon termination the Merger Agreement will be void and of no further force or effect.

The Merger Agreement is governed by the laws of the State of Delaware, United States.

2008 Warrants

11.15 In July 2008, Frontera Delaware solicited consents from holders of its 2012 Notes to amend the note purchase agreements governing such notes to permit the issuance of the 2013 Notes and to release escrowed proceeds of US$5.0 million from a prior private placement. In connection with the solicitation, each consenting holder received a warrant to purchase Frontera Delaware Shares in an amount equal to 7.5 per cent. of the number of Frontera Delaware Shares into which such consenting holder's existing notes were then convertible (the "2008 Warrants"). The 2008 Warrants have a five-year term and include a cashless exercise provision along with other customary terms and provisions.

The 2008 Warrants, which currently are exercisable for 6,527,764 Frontera Delaware Shares at an exercise price of US$1.69 per share, will be adjusted in accordance with their terms following the Exchange Offer and the Equity Fundraising, and the number of shares issuable upon exercise of the 2008 Warrants will be increased to 65,033,240 Frontera Cayman Shares at an exercise price of US$0.17 per share.

The 2008 Warrants are governed by and construed in accordance with the laws of the State of New York, United States.

2009 Warrants

11.16 On 18 September 2009, Frontera Delaware completed a private placement of 45,186,536 units, with each unit consisting of: (i) one Frontera Delaware Share; and (ii) one two-year warrant to purchase one Frontera Delaware Share at an exercise price of £0.15 per share. In connection with the private placement, Frontera Delaware also issued to its financial advisers additional 18 month warrants to purchase 1,355,596 Frontera Delaware Shares at an exercise price of £0.15 per share which have now expired. The warrants issued in connection with the private placement on 18 September 2009 are referred to as the "2009 Warrants". The 2009 Warrants include a costless exercise provision along with other customary terms and provisions.

Following the implementation of the Proposals, the 2009 Warrants will be adjusted in accordance with their terms, and the number of Frontera Cayman Shares issuable upon exercise of the 2009 Warrants will be increased to 139,079,809 Frontera Cayman Shares at an exercise price of US$0.076 per share.

The 2009 Warrants are governed by and construed in accordance with the laws of the State of New York, United States.

Broker Warrants

11.17 A warrant to purchase Frontera Delaware Shares was executed by Frontera Delaware on 8 February 2011 (the "Broker Warrant Instrument"), pursuant to which Arbuthnot is entitled to purchase 50,000 Frontera Delaware Shares at an exercise price of 6 pence per share. The warrant is exercisable, subject to its terms and conditions, at any time prior to 8 February 2013, if not exercised by 5.00 p.m. on that day it shall be void.

Subject to compliance with all applicable federal and state securities laws, of the United States, including the US Securities Act, the instrument may be transferred or assigned.

The exercise price and the number of Frontera Delaware Shares to be issued pursuant to the instrument is subject to adjustment (in the terms set out in the instrument) in the event that Frontera Delaware: (i) declares any dividend or other distribution which is made in the form of Frontera Delaware Shares; (ii) subdivides its outstanding Frontera Delaware Shares into a larger number of shares; or (iii) combines its outstanding Frontera Delaware Shares into a smaller number of shares.

The Broker Warrant Instrument may only be amended by Frontera Delaware with the prior written consent of Arbuthnot, save where such amendment is made to cure any ambiguity, defect or inconsistency.

The Broker Warrant Instrument is governed by and construed in accordance with the laws of the State of New York, United States.

Adviser Warrants

11.18 Warrant instruments will be executed by Frontera Cayman upon Admission (the "Adviser Warrant Instruments") (each in the same form as the Broker Warrant instrument described in paragraph 11.17 above), in favour of Arbuthnot, OPL and Strand Hanson, to give effect to the issue of warrants by Frontera Cayman as part of the commission arrangements set out in the Placing Agreement. Pursuant to the Adviser Warrant Instruments:

(i) Arbuthnot will be issued warrants to purchase 1,649,181 Frontera Cayman Shares. The warrants will be exercisable at any time during the period of two years from Admission (save that the period of exercise will be extended by 3 months if the coupon is in a close period (as defined in the AIM rules)) at the Placing Price;

(ii) OPL will be issued warrants to purchase 687,500 Frontera Cayman Shares. The warrants will be exercisable at any time during the period of three years from Admission (save that the period of exercise will be extended by 3 months if the coupon is in a close period (as defined in the AIM rules)) at the Placing Price; and

(iii) Strand Hanson will be issued warrants to purchase 10,221,626 Frontera Cayman Shares (representing 0.5 per cent. of the issued share capital of Frontera Cayman at Admission). The warrants will be exercisable at any time during the period of two years from Admission (save that the period of exercise will be extended by 3 months if the coupon is in a close period (as defined in the AIM rules)) at the Placing Price.

The Adviser Warrant Instruments are governed by and construed in accordance with the laws of the State of New York, United States.

2012 Note Purchase Agreement

11.19 Frontera Delaware entered into the 2012 Note Purchase Agreement in connection with the issuance of US$67,000,000 original principal amount of 10 per cent. convertible notes due 2012. As at the date of this document, US$89,175,685 10 per cent. convertible notes due 2012 remain outstanding (the "2012 Notes"). The 2012 Notes mature on 8 May 2012. The 2012 Notes are convertible into Frontera Delaware Shares, at the rate of 598.80 Frontera Delaware Shares for each US$1,000 principal amount converted (US$1.67 per share). The 2012 Note Purchase Agreement provides for automatic conversion if the closing trading price of Frontera Delaware Shares exceeds 200 per cent. of the conversion price for at least 20 consecutive trading days. If the 2012 Notes are voluntarily converted within two years of issuance, the holder will receive additional interest equal to the principal amount of notes converted multiplied by the applicable interest rate. Upon a change of control, the holders may require Frontera Delaware to purchase the notes at 150 per cent. of the principal amount thereof. The 2012 Note Purchase Agreement prohibits Frontera Delaware from: (i) merging or consolidating unless (a) the transaction amount is less than US$5 million or (b) the transaction would trigger a change of control; and (ii) incurring indebtedness unless Frontera Delaware's consolidated coverage ratio exceeds 2:1, except that Frontera Delaware may have a reserve-based lending facility of up to US$110 million with an interest rate not to exceed LIBOR plus 600 basis points. The 2012 Note Purchase Agreement requires the approval of a majority of the holders by interest for affiliate transactions over US$5 million and a fairness opinion for affiliate transactions over US$15 million. If an event of default occurs and continues, the principal amount of the notes plus any accrued and unpaid interest may become immediately due and payable. Upon the Merger becoming effective, Frontera Cayman will succeed to the obligations and rights of Frontera Delaware under the 2012 Note Purchase Agreement.

2013 Note Purchase Agreement

11.20 Frontera Delaware entered into the 2013 Note Purchase Agreement in connection with the issuance of US$23,500,000 original principal amount of 10 per cent. Convertible Notes due 2013. As at the date of this document, US$31,587,757 principal amount 10 per cent. convertible loan notes due 2013 remain outstanding (the "2013 Notes"). The 2013 Notes mature on 3 July 2013. The 2013 Notes are convertible into Frontera Delaware Shares, at the rate of 584.80 shares for each US$1,000 principal amount converted (US$1.71 per share). The 2013 Note Purchase Agreement provides for automatic conversion if the closing trading price of Frontera Delaware Shares exceeds 200 per cent. of the conversion price for at least 20 consecutive trading days. If the 2013 Notes are voluntarily converted within two years of issuance, the holder will receive additional interest equal to the principal amount of notes converted multiplied by the applicable interest rate. Upon a change of control, the holders may require Frontera Delaware to purchase the notes at 150 per cent. of the principal amount thereof. The 2013 Note Purchase Agreement prohibits Frontera Delaware from: (i) merging or consolidating unless: (a) the transaction amount is less than US$5 million; or (b) the transaction would trigger a change of control; and (ii) incurring indebtedness unless Frontera Delaware's consolidated coverage ratio exceeds 2:1, except that Frontera Delaware may have a reserve-based lending facility of up to US$200 million with an interest rate not to exceed LIBOR plus 600 basis points. The 2013 Note Purchase Agreement requires the approval of a majority of the holders by interest for affiliate transactions over US$5 million and a fairness opinion for affiliate transactions over US$15 million. If an event of default occurs and continues, the principal amount of the notes plus any accrued and unpaid interest may become immediately due and payable. Upon the Merger becoming effective, Frontera Cayman will succeed to the obligations and rights of Frontera Delaware under the 2013 Note Purchase Agreement.

2016 Note Purchase Agreement

11.21 In connection with the Exchange Offer, on the Settlement Date, the New Notes Issuer will enter into the 2016 Note Purchase Agreement, in connection with the issuance of US$18,058,376.57 original principal amount of 10 per cent. convertible notes due 2016 (the "2016 Notes"). The 2016 Notes mature five years from the date of issuance. The 2016 Notes are convertible into Frontera Cayman Shares, at the rate of 4,000 Frontera Cayman Shares for each US$1,000 principal amount converted (US$0.25 per share). The 2016 Note Purchase Agreement provides for automatic conversion if the closing trading price of Frontera Cayman Shares exceeds 200 per cent. of the conversion price for at least 20 consecutive trading days. Under the 2016 Note Purchase Agreement, no premium is provided for early conversion. Upon a change of control, the holders may require Frontera Cayman to purchase the notes at 101 per cent. of the principal amount. The 2016 Note Purchase Agreement prohibits Frontera Cayman from: (i) merging or consolidating unless: (a) the transaction amount is less than US$5 million; or (b) the transaction would trigger a change of control; and (ii) incurring indebtedness unless its consolidated coverage ratio exceeds 2:1, except that Frontera Cayman may have a reserve-based lending facility of up to US$200 million with an interest rate not to exceed LIBOR plus 800 basis points. The 2016 Note Purchase Agreement requires the approval of a majority of the holders by interest for affiliate transactions over US$5 million and a fairness opinion for affiliate transactions over US$15 million. If an event of default occurs and continues, the principal amount of the 2016 Notes plus any accrued and unpaid interest may become immediately due and payable. The 2016 Notes will be structurally senior to the Old Notes.

12. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the net proceeds of the Equity Fundraising and the completion of the Proposals, and having made due and careful enquiry, the working capital available to the Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

13. LITIGATION

13.1 Save as is described in paragraph 13.2 below, neither the Company, nor any member of the Group is currently involved in, or has during the 12 months preceding the date of this document, been involved in any governmental, legal or arbitration proceedings which may have, or has had, a significant effect on the Group's financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company or any member of the Group.

13.2 In January 2008, Frontera Georgia served a notice of arbitration and claim on ARAR, Inc. ("ARAR"), for breach of contract under a drilling services contract dated May 2007. Frontera Georgia claimed damages of approximately US$7.0 million in the arbitration. ARAR denied Frontera Georgia's claims and filed a counterclaim seeking payments of approximately US$7.1 million. The parties entered into a settlement agreement dated December 2008, pursuant to which ARAR was required to make a series of payments to Frontera Georgia up to December 2009. The settlement resolves all outstanding claims and counterclaims between Frontera Georgia and ARAR arising out of the drilling services contract. Beginning in August 2009, ARAR defaulted on its monthly payments and remains in default on payments due from August 2009 up to December 2009. Frontera Georgia applied to the arbitration panel for entry of an agreed award pursuant to the settlement agreement. In April 2010, the arbitration panel entered a final, binding award in the amount of US$1.4 million in favour of Frontera Georgia.

In April 2010, Frontera Georgia filed an action in the US District Court for the Southern District of Texas seeking confirmation of the final arbitration award. In May 2010, ARAR filed a counterclaim in the district court seeking to deny the confirmation and to vacate the award. In July 2010, Frontera Georgia filed an enforcement action in the 4th Commercial Court in Ankara, Turkey, seeking to enforce the final award against the assets of ARAR located in Turkey.

In July 2010, an affiliate of ARAR initiated a lawsuit against Frontera Georgia in the 7th Commercial Court in Ankara, Turkey, claiming damages of US$0.3 million in connection with the exportation of the drilling rig from Georgia.

In July 2011, Frontera Georgia received a ruling from the United States District Court, Southern District of Texas, Houston District, that confirms the 19 April 2010 arbitration award in the amount of US$1.4 million against ARAR and certain related parties in its entirety and entitles Frontera Georgia to a judgment against ARAR. The Court's ruling also orders ARAR to pay associated legal fees and costs, estimated at US$175,000, and denies any and all counterclaims made by ARAR. The Directors believe that this ruling and the Court's final entry of judgment are important steps in the ongoing enforcement action against ARAR.

14. RELATED PARTY TRANSACTIONS

14.1 Details of related party transactions which are, as a single transaction or in their entirety material to Frontera Delaware (and which upon the Merger becoming effective will be assumed by Frontera Cayman) are contained in note 10 to the audited consolidated financial statements of the Group for the year ended 31 December 2008 and note 10 to the audited consolidated financial statements of the Group for the years ended 31 December 2009 and 31 December 2010 (which, as stated in Part V of this document, are incorporated by reference into this document). Such transactions were concluded at arm's length.

14.2 Spyros Karnessis and Stephen McGregor, members of the board of Frontera Delaware, were the beneficial holders of, in aggregate, US$14,686,439 principal amount of Old Notes and have exchanged 75 and 100 per cent., respectively, of their beneficial holdings for Frontera Cayman Shares in the Exchange Offer.

14.3 Pursuant to the Management Debt Conversion, Mr. Steve Nicandros (Chairman of the board of directors and Chief Executive Officer) and another senior executive of the Group, entered into the Note Exchange Agreements to convert approximately US$9.2 million of loans to Frontera Delaware (representing 100 per cent. of the total amount of indebtedness to management as at Admission including accrued and unpaid interest) into Frontera Cayman Shares at a conversion price per share equivalent to the Placing Price.

14.4 On 28 June 2011, Frontera Cayman entered into the Subscription Agreements, with an entity associated with Mr. Steve Nicandros (Chairman of the board of directors and Chief Executive Officer) and also with another senior executive of the Group, pursuant to which the subscribers agreed to subscribe for 53,959,053 new Frontera Cayman Shares at the Placing Price, which will result in Frontera Cayman receiving proceeds of approximately £2.2 million (US$3.5 million).

15. GENERAL

15.1 The Company was incorporated on 17 May 2011, therefore no financial statements have been prepared for the Company as at the date of this document.

15.2 The Company's accounting reference date is 31 December.

15.3 Nothing in this document is intended to be or should be taken as a profit forecast, estimate or projection.

15.4 The Company does not have, nor has it taken any action to acquire, any significant investments.

15.5 The auditors of the Group are PricewaterhouseCoopers LLP of 1201 Louisiana, Suite 2900, Houston, Texas 77002-5678, United States.

15.6 Save as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 31 December 2010, the date of the latest consolidated audited accounts of the Group.

15.7 The total costs and expenses of or incidental to Admission all of which are payable by the Company, are estimated to amount to approximately £1.5 (US$2.5 million).

15.8 Except as detailed in this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:

(i) received directly or indirectly from Frontera Delaware or the Company within the 12 months preceding the application for Admission; or

(ii) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from it on or after Admission any of the following:

(a) fees totalling £10,000 or more;

(b) securities of Frontera Delaware or the Company where these have a value of £10,000 or more calculated by reference to the Placing Price; or

(c) any other benefit with a value of £10,000 or more as at the date of Admission.

15.9 Except as stated in this document, there are no patents or other intellectual property rights, licences or industrial, commercial or financial contracts or new manufacturing processes which are of fundamental importance to the business of the Group.

15.10 The Company is not an Investing Company (as defined in the AIM Rules for Companies).

15.11 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Group's activities.

15.12 Save as disclosed in this document, there are no mandatory takeover bids and squeeze and sell out rules in relation to the Ordinary Shares.

15.13 There have been no public takeover bids by third parties in respect of the Frontera Delaware Shares, which have occurred during the last financial year of the Group or the current financial year of the Group. As at the date of this document, there have been no public takeover bids by third parties in respect of the Frontera Cayman Shares.

15.14 Save as disclosed in this document, the Company is not aware of any material environmental issues or risks affecting the utilisation of the Group's tangible fixed assets or its operations.

15.15 Information in this document which has been sourced from third parties has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

15.16 Strand Hanson Limited is acting in the capacity as Nominated Adviser to the Company and has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

15.17 Arbuthnot Securities Limited is acting in the capacity as joint broker to Company and has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

15.18 Old Park Lane Securities Plc is acting in the capacity as joint broker to Company and has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

16. AVAILABILITY OF THIS DOCUMENT

Copies of this document will be available free of charge to the public at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU, United Kingdom during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded) until the date falling one month after the date of Admission and also on the Company's website: www.fronteraresources.com.

Date: 27 July 2011

DEFINITIONS

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

"1998 Plan"	means the Frontera Resources Corporation 1998 Employee Stock Incentive Plan;
"2000 Plan"	means the Frontera Resources Corporation 2000 Non-Qualified Stock Option and Stock Award Plan;
"2008 Warrants"	means Frontera Delaware's outstanding warrants issued in 2008, currently exercisable for, in aggregate, 6,593,037 Frontera Delaware Shares at an exercise price of US$1.69 per share;
"2009 Warrants"	means Frontera Delaware's outstanding warrants issued in 2009, currently exercisable for, in aggregate, 43,542,132 Frontera Delaware Shares at an exercise price of £0.15 per share;
"2012 Notes"	means Frontera Delaware's US$89,175,688 10 per cent. convertible loan notes due in 2012;
"2012 Note Purchase Agreement"	means the note purchase agreement dated 8 May 2007, as amended on 3 July 2008, pursuant to which the 2012 Notes were issued by Frontera Delaware;
"2013 Notes"	means Frontera Delaware's US$31,587,757 10 per cent. convertible loan notes due in 2013;
"2013 Note Purchase Agreement"	means the note purchase agreement dated 3 July 2008, pursuant to which the 2013 Notes were issued by Frontera Delaware;
"2016 Notes" or "New Notes"	means the 10 per cent. convertible notes due 2016, issued by the New Notes Issuer, in connection with the Exchange Offer;
"2016 Note Purchase Agreement"	means the note purchase agreement to be entered into on the settlement date, pursuant to which the 2016 Notes were issued by the New Notes Issuer;
"Admission"	means admission to trading on AIM of the entire issued share capital of Frontera Cayman, in accordance with the AIM Rules for Companies, being the Frontera Cayman Shares arising pursuant to the Proposals;
"Adviser Warrants"	means the warrants to subscribe for Frontera Cayman Shares issued by Frontera Cayman to certain advisers in respect of services provided in connection with the Placing;
"Agency"	means the Agency of Natural Resources of the Ministry of Energy of Georgia;
"AIM Rules for Companies" or "AIM Rules"	means the rules of the London Stock Exchange governing the admission to and the operation of AIM;
"AIM Rules for Nominated Advisers"	means the rules of the London Stock Exchange for Nominated Advisers;
"AIM"	means the market operated by London Stock Exchange;
"Arbuthnot"	means Arbuthnot Securities Limited;

"Articles" or "Articles of Association"	means the amended and restated memorandum and articles of association of the Company, a summary of which is set out in paragraph 5 of Part VII of this document;
"Block 12"	the 5,060 km2 area of land situated in the western end of the Kura Basin in Georgia, which has been designated as Block 12;
"Block 12 PSA"	the production sharing agreement and refinery study dated 25 June 1997 between the Ministry of Fuel and Energy of Georgia, the Joint Stock Company National Oil Company Georgian Oil and Frontera Georgia, details of which are set out in Part VI of this document;
"Board"	means the board of directors of Frontera Cayman;
"Broker Warrants"	means the warrants issued to Arbuthnot to subscribe for 500,000 Frontera Delaware Shares, pursuant to an instrument dated 8 February 2011;
"Cayman Islands Companies Law"	means the Companies Law (2010 Revision), of the Cayman Islands;
"CREST" or "Relevant System"	means the computerised settlement system to facilitate the transfer of title to shares in uncertificated form of which CRESTCo is the operator;
"CRESTCo"	means Euroclear UK & Ireland Limited, being the operator of the CREST system;
"CREST Regulations"	means the Uncertificated Securities Regulations 2001, including any enactment or subordinate legislation which amends or supersedes those regulations and any applicable rules made under those regulations or any such enactment or subordinate legislation for the time being in force;
"Debt Restructuring"	means the Exchange Offer and the Management Debt Conversion;
"Deed Poll"	means the deed poll dated 30 June 2011, executed by the Depositary dealing with the creation and issue of the Depositary Interests representing Frontera Cayman Shares;
"Designated Foreign Shareholders"	means persons resident in, or citizens or nationals of, jurisdictions outside the United Kingdom, Georgia or the Cayman Islands;
"Depositary"	means Computershare Investor Services PLC;
"Depositary Interest Register"	means the register of Depositary Interest holders and their underlying entitlement to Frontera Cayman Shares, maintained by the Depositary;
"Depositary Interests" or "DIs"	means Depositary Interests representing Frontera Cayman Shares issued by the Depositary;
"Directors"	means the directors of the Company, whose names appear on page 6 of this document;
"Enlarged Issued Share Capital"	means the issued share capital of the Company immediately following Admission, which comprises the Ordinary Shares issued pursuant to the Proposals;
"Equity Fundraising"	means the Placing and the Subscription, taken together;

"Exchange Offer"	means Frontera Cayman's offer to the holders of the Old Notes to receive, at their option, either: (i) Frontera Cayman Shares; (ii) 2016 Notes; or (iii) a combination of the Frontera Cayman Shares and 2016 Notes;
"Expiration Time"	means the expiration time of the Exchange Offer;
"Frontera Cayman" or "Company"	means Frontera Resources Corporation, an exempted company limited by shares incorporated in the Cayman Islands under Cayman Islands Company Law with registered number 256380;
"Frontera Cayman Shares"	means the ordinary shares, par value US$0.00004 per share, in the authorised share capital of Frontera Cayman;
"Frontera Cayman Share Consideration"	means the one Frontera Cayman Share in exchange for each Frontera Delaware Share outstanding on the date of the Merger;
"Frontera Delaware"	means Frontera Resources Corporation, a company incorporated under the General Corporation Law of the State of Delaware, United States of America;
"Frontera Delaware Shares"	means common stock of Frontera Delaware, par value US$0.00004 per share;
"Frontera Georgia"	means Frontera Resources Georgia Corporation, a company incorporated and existing under the laws of the Cayman Islands;
"FSA"	means Financial Services Authority in the UK;
"FSMA"	means the UK Financial Services and Markets Act 2000 (as amended);
"GOGC"	means Georgian Oil and Gas Company, the state-owned national oil company;
"Group"	means, before the Merger becoming effective, Frontera Delaware and its direct and indirect subsidiaries and, following the Merger becoming effective, Frontera Cayman and its direct and indirect subsidiaries;
"HMRC"	means Her Majesty's Revenue and Customs;
"London Stock Exchange"	means London Stock Exchange plc;
"Management Debt Conversion"	means the conversion of outstanding loans due to Mr. Steve Nicandros and another senior executive from Frontera Delaware, into Frontera Cayman Shares pursuant to the Note Exchange Agreements;
"Management Promissory Notes"	means the promissory notes issued by Frontera Delaware to senior management between February 2010 and July 2011;
"Merger"	means the merger of Frontera Delaware with and into Frontera Cayman pursuant to the Merger Agreement, with Frontera Cayman being the surviving corporation;
"Merger Agreement"	means the agreement and plan of merger entered into between Frontera Delaware and Frontera Cayman relating to the Merger dated 28 June 2011 (as amended by the amended agreement and plan of merger dated 27 July 2011);

"Mineral Licence"	the 25 year mineral extraction licence granted to the Operating Company by the Ministry of Environmental Protection of Natural Resources of Georgia with effect from 25 August 1997, a summary of which is set out in Part VI of this document;
"MoFE"	means the Ministry of Finance and Economy;
"New Notes Issuer"	Frontera Resources Holdings LLC, the issuer of the 2016 Notes, being a Delaware limited liability company which, following the merger becoming effective, will be a wholly-owned subsidiary of Frontera Cayman;
"Nominated Adviser"	the person appointed and retained as nominated adviser by the Company as required by the AIM Rules in order to be eligible for AIM;
"Non-Accredited US Shareholders"	means a US Shareholder who, the Board, in its sole discretion, has a reasonable basis for believing is not an "accredited investor", as defined in Rule 501 of Regulation D promulgated under the US Securities Act; and shall include a US Shareholder that fails to complete, sign and return a letter of transmittal at or before 12.00 p.m. (London time) on the date that is 120 days following the effective date the Merger;
"Note Exchange Agreements"	means the note exchange agreements entered into by Mr. Steve Nicandros and another senior executive of the Company, with Frontera Cayman under which approximately US$9.2 million of loans will be converted into Frontera Cayman Shares at a conversion price per share equivalent to the Placing Price;
"NSA"	means Netherland Sewell & Associates, Inc.;
"Official List"	means the official list of the United Kingdom Listing Authority;
"Old Notes"	means the 2012 Notes and the 2013 Notes taken together;
"Old Note Purchase Agreements"	means the purchase agreements under which the Old Notes were issued;
"Operating Company"	means Frontera Eastern Georgia Limited, a society of limited responsibility organised pursuant to its charter and existing under the laws of Georgia;
"OPL" or "Old Park Lane"	means Old Park Lane Capital plc;
"Ordinary Shares"	means the ordinary shares, par value US$0.00004 per share, in the authorised share capital of Frontera Cayman;
"Placees"	a person who has subscribed for Placing Shares in the Placing;
"Placing"	means the conditional placing of 115,678,351 Frontera Cayman Shares with Placees procured by the Placing Agents at the Placing Price, raising a total of £4.6 million (US$7.5 million) (before expenses);
"Placing Agents"	means Arbuthnot and Old Park Lane, as placing agents for the Placing;

"Placing Agreement"	means the conditional placing agreement entered into between Frontera Cayman, Strand Hanson and the Placing Agents in relation to the Placing;
"Placing Price"	means the price of 4 pence per Frontera Cayman Share to be issued by Frontera Cayman in relation to the Placing;
"Placing Shares"	means the 115,678,351 Frontera Cayman Shares to be issued pursuant to the Placing;
"Proposals"	means the Equity Fundraising, the Debt Restructuring and the Merger, referred to collectively in this document, as summarised in Part III of this document;
"Prospectus Directive"	means the EU Directive 2003/71/EC;
"QCA Guidelines"	means the Corporate Governance Guidelines for AIM Companies published by the Quoted Companies Alliance (as amended from time to time);
"Registrar"	means Computershare Investor Services (Cayman) Limited;
"Regulation D"	Rules 501 through 508 under the US Securities Act;
"Regulation S"	Rules 901 through under the US Securities Act;
"Regulations"	Uncertificated Securities Regulations 2001 (SI 200113755);
"SDRT"	means United Kingdom stamp duty and stamp duty reserve tax;
"SEDA"	means the standby equity distribution agreement entered into between Frontera Cayman and YAGM on 28 June 2011, pursuant to which, YAGM has agreed to invest up to £21,529,060 in the share capital of Frontera Cayman in consideration for the issue of Frontera Cayman Shares over a 36-month period (subject to certain conditions);
"Settlement Date"	means five Houston, Texas business days following the Expiration Time, which may be accelerated or extended by Frontera Cayman at its sole discretion;
"Share Option Plans"	means the 1998 Plan and the 2000 Plan;
"Strand Hanson"	means Strand Hanson Limited, the Nominated Adviser to the Company;
"Stock Payment"	means the issue of 15,417 Ordinary Shares for each US$1,000 principal amount of Old Notes tendered in the Exchange Offer;
"Subscription"	means the subscription for new Frontera Cayman Shares by an entity associated with Mr. Steve Nicandros (Chairman of the board of directors and Chief Executive Officer) and another senior executive of the Group;
"Subscription Agreements"	means the subscription agreements entered into between Frontera Cayman and an entity associated with Mr. Nicandros and another senior executive of the Group dated 28 June 2011, pursuant to which the subscribers have agreed to subscribe for 53,959,053 new Frontera Cayman Shares at the Placing Price;

"subsidiaries"	means the subsidiaries of Frontera Delaware or the Company, as the context requires;
"Takeover Code" or "Code"	the UK City Code on Takeovers and Mergers;
"UK Corporate Governance Code"	the UK Corporate Governance Code published by the financial reporting council in June 2010 (as amended);
"Uncertificated Securities Regulations"	the Uncertificated Securities Regulation 2001 (SI 200113755) including any modification thereby for any regulation in substitution thereafter made under Chapter 2 of Part 21 of the Companies Act 2006 and for the time being in force;
"United Kingdom Listing Authority"	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
"UK" or "United Kingdom"	United Kingdom of Great Britain and Northern Ireland;
"USA", "US" or "United States"	United States of America, its territories and possessions, any state in the United States of America, the District of Columbia and all other areas subject to its jurisdiction;
"US Securities Act"	means United States Securities Act of 1933, as amended;
"US Shareholder"	means a shareholder whose address as it appears in the stock register of Frontera Delaware is an address located within the United States;
"US$"	means US dollars, the legal currency of the United States;
"VAT"	United Kingdom value added tax;
"YAGM"	means YA Global Markets SPV, LTD; and
"£"	pounds sterling, the legal currency of the United Kingdom.

GLOSSARY OF TERMS

"1C"	level of contingency meaning '*low estimate*';
"2C"	level of contingency meaning '*best estimate*';
"3C"	level of contingency meaning '*high estimate*';
"2D seismic (two-dimensional seismic data)"	geophysical data that depicts the subsurface strata in two dimensions;
"3D seismic (three-dimensional seismic data)"	geophysical data that depicts the subsurface strata in three dimensions. 3D seismic typically provides a more detailed and accurate interpretation of the subsurface structure and strata than can be achieved using 2D seismic data;
"1P"	Proven reserves: those reserves claimed to have a reasonable certainty (normally at least 90 per cent. confidence) of being recoverable under existing economic and political conditions, with existing technology. Industry specialists refer to this as P90 (i.e., having a 90 per cent. certainty of being produced);
"2P"	Probable reserves: attributed to known accumulations and claim a 50 per cent. confidence level of recovery;
"3P"	Possible reserves: attributed to known accumulations that have a less likely chance of being recovered than probable reserves. This term is often used for reserves which are claimed to have at least a 10 per cent. certainty of being produced.
"API"	American Petroleum Institute;
"back-arc basin"	isolated marine basin behind a subduction zone, formed by back arc spreading or addition of lithosphere to the overriding plate;
"block"	an area designated by a government or any authority, entity or representative of a government for allocation to oil and gas exploration companies with a view to the granting of hydrocarbon exploration and production rights;
"bpd"	barrels of oil per day;
"contingent resources"	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies;
"Cretaceous"	a period of geologic time falling within the Mesozoic Era, around 146 to 65 million years ago, coming after the Jurassic period;
"down-dip"	located down the slope of a dipping plane or surface. In a dipping (not flat-lying) hydrocarbon reservoir that contains gas, oil and water, the gas is up-dip, the gas-oil contact is down-dip from the gas, and the oil-water contact is further still down-dip;
"Eocene"	part of the Tertiary period in the Cenozoic era lasting from approximately 55 to 34 million years ago;

"farm-out"	a common form of agreement between oil operators pursuant to which an owner of an unproven resource property may transfer a part interest in the property to another person in exchange for exploration and development work on the transferred property;
"field"	area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structure feature and/or stratigraphic condition;
"frac"	fractured or fracturing;
"horizon"	sedimentary deposits of a certain period, usually marked by characteristic fossils on time;
"Jurassic"	the second period of the Mesozoic Era, lasting from around 208 to 146 million years ago;
"km"	kilometres;
"km^2"	square kilometres;
"Maykop shales"	fine-grained, detrital sedimentary rock made up of silt- and clay sized particles being the principal source of oil in the South Caspian and Kura Basin;
"m"	metres;
"Mesozoic"	a major division of geologic time, immediately following the Cenozoic era and lasting from around 65 to 225 million years ago, which is divided into three time periods: the Triassic (around 245-208 million years ago), the Jurassic (around 208-146 million years ago), and the Cretaceous (around 146-65 million years ago);
"Miocene"	the fourth epoch of the Tertiary period in the Cenozoic era of geologic time, lasting from around 24.6 to 5.1 million years ago;
"MMBBL"	million barrels (oil reserves);
"Oligocene"	the third epoch of the Tertiary period in the Cenozoic era of geologic time, lasting from 38 to 24 million years ago, coming after the Eocene epoch and before the Miocene epoch;
"OOIP"	original oil-in-place;
"play"	term used to describe a kind of exploration project not yet fully defined by seismic, well logs or producing fields; the term typically is associated with non-producing projects;
"Pliocene"	the fifth epoch in the Cenozoic Era of geologic time, lasting from around 5.1 to 2 million years ago;
"prospect"	an area that is a potential site of mineral deposits, based on preliminary exploration;
"prospective resources"	those qualities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects;
"PSA"	production sharing agreement;

"reservoir"	subsurface body of rock having sufficient porosity and permeability to store and transmit fluids;
"Sarmatian"	major division of Miocene rocks and time, around 23.7 to 5.3 million years ago;
"Shiraki"	a local name for a rock formation indigenous to Georgia from the Lower Pliocene geologic time period;
"Tertiary"	one of the two main sub-divisions of the Cenozoic Era;
"total organic carbon"	a measure of the relative content of organic material usually in reference to source rock;
"up-dip"	located up the slope of a dipping plane or surface;
"workover"	process of performing major maintenance or remedial treatments on an oil and gas well, which may require the removal and replacement of the production tubing string after the well has been drilled and a workover rig has been placed on location;