

THE COMPANIES ACT 1985
PRIVATE COMPANY LIMITED BY SHARES
ARTICLES OF ASSOCIATION
OF
DARCY ENERGY HOLDINGS UK, LTD.

(the "Company")



Preliminary

1. In these Articles of Association (these "Articles"), "Table A" means Table A in the Companies (Table A to F) Regulations 1985 as amended at the date of incorporation of the Company. References to regulations are to regulations in Table A.
2. The regulations contained in Table A shall apply to the Company except to the extent that they are excluded or varied hereby.
3. In regulation 1, the words "and in articles adopting in whole or in part these regulations" shall be inserted after the word "regulations" in the first and last sentences.

Share Capital

4. The share capital of the Company (the "Ordinary Shares") shall be divided into A Ordinary Shares of £0.01 each and B Ordinary Shares of £0.01 each. The number of B Ordinary Shares shall not exceed 1% of the issued share capital of the Company.
5. The holders of the B Ordinary Shares shall have the additional rights and restrictions set forth in this Article 5.
- 5.1 Certain Definitions. For purposes of this Article 5, the following terms shall have the meanings given to them in this Article 5.1:
 - (i) "Affiliate" shall mean, with respect to any Person, any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such Person.

- (ii) **"Conversion Value"** shall mean an amount equal to (A) the product of the Management Conversion Percentage and the Determination Date Value less (B) the total amount of bonuses paid pursuant to employment agreements or arrangements by Darcy to its employees solely as a result of a Determination Event not having occurred on or before October 31, 2008.
- (iii) **"Darcy"** shall mean Darcy Energy, LLC, a Delaware limited liability company.
- (iv) **"Darcy US"** shall mean Darcy Energy US, Inc., a Delaware corporation.
- (v) **"Determination Date Value"** shall mean:
 - (A) in the case of a Determination Event described in Article 5.4(i) or (ii), an amount equal to the product of (x) the pre-tax, per share consideration received by the Company, Holdings, Inc., Holdings LLC, Darcy US, Darcy and their respective shareholders, stockholders and members in the Determination Event and (y) the total number of A Ordinary Shares (in the case of a Determination Event involving the Company) or the total number of shares of common stock or units of membership interests of the relevant IBD Subsidiary (in the case of a Determination Event involving an IBD Subsidiary other than the Company) outstanding as of immediately prior to such Determination Event;
 - (B) in the case of a Determination Event described in Article 5.4(iii), an amount equal to the product of (x) the gross price per share (before application of any underwriting discounts and selling expenses) at which shares are to be sold to the public in such Determination Event and (y) the total number of A Ordinary Shares (in the case of a Determination Event involving the Company) or the total number of shares of common stock or units of membership interest of the relevant IBD Subsidiary (in the case of a Determination Event involving an IBD Subsidiary other than the Company) outstanding as of immediately prior to such Determination Event; or
 - (C) in the case of a Determination Event described in Article 5.4(iv), an amount equal to the aggregate pre-tax consideration received by the Company, Holdings, Inc., Holdings LLC and Darcy in the Determination Event;

provided, however, that the Determination Date Value shall be adjusted downward by the amount of any capital contributions made on or after the date

of formation of the Company to the IBD Subsidiary to which the Determination Date Event relates, including, without limitation, capital contributions made by IBD or capital contributions made in connection with the sale of newly issued equity interests of such IBD Subsidiary by the purchaser of such equity interests.

- (vi) **"Holdings, Inc."** shall mean Darcy Energy Holdings, Inc., a Delaware corporation.
- (vii) **"Holdings LLC"** shall mean Darcy Energy Holdings, LLC, a Delaware limited liability company.
- (viii) **"IBD"** means IB Daiwa Corporation, a Japanese corporation.
- (ix) **"IBD Subsidiary"** shall mean any of the Company, Holdings, Inc., Holdings LLC and Darcy US and Darcy.
- (x) **"Management Conversion Percentage"** shall mean: (A) if the Determination Date Value is less than \$100 million, seven percent (7%); (B) if the Determination Date Value is greater than or equal to \$100 million but less than \$300 million, seven percent (7%) plus one-hundredth of one percent (0.01%) for each increment of \$1 million by which the Determination Date Value exceeds \$100 million; and (C) if the Determination Date Value is more than \$300 million, nine percent (9%) plus one-hundredth of one percent (0.01%) for each increment of \$2 million by which the Determination Date Value exceeds \$300 million; provided, however, that the Management Conversion Percentage shall not exceed ten percent (10%).
- (xi) **"Person"** shall mean and includes any individual, corporation, partnership, limited liability company, trust, association, estate or any other entity.

5.2 Dividends. The holders of B Ordinary Shares shall not be entitled to receive any dividends or other distributions thereon other than those specifically provided for by these Articles.

5.3 Voting Rights. At all meetings of the members of the Company and in the case of any action of the members in lieu of a meeting, each holder of B Ordinary Shares shall have one vote per B Ordinary Share held by such holder with respect to all matters submitted for the vote of the members of the Company. Except as may be otherwise provided in these Articles or as otherwise required by applicable law, the holders of the A Ordinary Shares and the holders of B Ordinary Shares shall vote together as a single class on all actions to be taken by the members of the Company.

5.4 Conversion Rights. Effective as of immediately prior to the occurrence of any of the following events (each, a “**Determination Event**”), each B Ordinary Share shall automatically be converted into the number of duly authorized, validly issued, fully paid up A Ordinary Shares determined in accordance with this Article 5:

- (i) any Person other than IBD or a direct or indirect wholly-owned subsidiary of IBD acquires fifty percent (50%) or more of the outstanding Ordinary Shares, common stock or voting power of the Company, Holdings, Inc., Holdings LLC, Darcy US or Darcy;
- (ii) a merger, consolidation, reorganization or similar transaction involving the Company, Holdings, Inc., Holdings LLC, Darcy US or Darcy is consummated pursuant to which a Person other than IBD or a direct or indirect subsidiary of IBD becomes the owner of more than fifty percent (50%) of the outstanding Ordinary Shares, common stock or voting power of the post-transaction entity;
- (iii) the Company, Holdings, Inc., Holdings LLC, Darcy US or Darcy or any of their respective shareholders, stockholders or members engage in a public offering of Ordinary Shares, common stock or other equity interests of the Company, Holdings, Inc., Holdings LLC, Darcy US or Darcy, which shall include, without limitation, any offer and sale of Ordinary Shares, common stock or other equity interests of the Company, Holdings, Inc., Holdings LLC, Darcy US or Darcy concurrently or in connection with the listing of such securities on the Alternative Investment Market of the London Stock Exchange plc or any successor exchange or market; or
- (iv) the Company, Holdings, Inc., Holdings LLC, Darcy US or Darcy sells all or substantially all of its assets.

5.5 Conversion Rate. The aggregate number of A Ordinary Shares to be received by the holders of the B Ordinary Shares upon conversion thereof shall be a number equal to the Conversion Value divided by the quotient obtained by dividing (i) the amount by which the Determination Date Value exceeds the Conversion Value by (ii) the total number of A Ordinary Shares outstanding as of immediately prior to the conversion of the B Ordinary Shares. Upon conversion of the B Ordinary Shares, the holders thereof shall be entitled to receive their *pro rata* portion of the A Ordinary Shares issuable upon conversion of the B Ordinary Shares based upon the number of B Ordinary Shares held by them as of immediately prior to such conversion.

- 5.6 Fractional Shares. The Company may not issue fractional A Ordinary or B Ordinary Shares. Where whole shares cannot be issued upon conversion of the B Ordinary Shares, any unpaid value shall be satisfied by payment by the Company in cash.
- 5.7 Exchange of Certificates. The conversion of the B Ordinary Shares into A Ordinary Shares shall be effective as of immediately prior to the occurrence of a Determination Event, and each certificate previously representing B Ordinary Shares shall then be deemed thereafter to represent the number of A Ordinary Shares into which such B Ordinary Shares have converted without any further action on the part of the holders of such shares and whether or not the certificates representing such shares are surrendered to the Company; provided, however, that promptly after such conversion, the Company shall provide notice of such conversion to the holders of the B Ordinary Shares and from and after such notice, each holder will be entitled to surrender the certificate or certificates for the B Ordinary Shares at the office of the transfer agent (or at the registered office of the Company if the Company serves as its own transfer agent) together with a notice as to whether the certificate or certificates for A Ordinary Shares to be issued shall be in such holder's name or the names of such holder's nominee(s). If required by the Company, certificates surrendered after conversion will be endorsed or accompanied by a written instrument or instruments of transfer, in form reasonably satisfactory to the Company, duly executed by the holder or his, her or its attorney duly authorized in writing.
- 5.8 Certain Covenants of the Company. Notwithstanding the other provisions of these Articles to the contrary, until the conversion of the B Ordinary Shares in accordance herewith, the Company shall not, and shall not cause or permit any other IBD Subsidiary to, without the prior written consent of the holders of a majority of the B Ordinary Shares: (i) declare, make or pay any distributions on or in respect of any of the outstanding A Ordinary Shares, shares of common stock, membership interests or any other equity interests of any IBD Subsidiary; (ii) incur or cause any other IBD Subsidiary to incur any indebtedness owed or in favour of IBD, any Affiliate of IBD or any other Person in which IBD has a direct or indirect equity interest; (iii) sell or transfer or cause any other IBD Subsidiary to sell or transfer any substantial portion of its assets or business in a transaction that is not a Determination Event, excluding the issuance and sale of newly issued equity securities of the Company or any other IBD Subsidiary; (iv) engage or cause any other IBD Subsidiary to engage in a merger, consolidation, reorganization or similar transaction that is not a Determination Event; (v) effect any split, subdivision or reclassification in or of the outstanding A Ordinary Shares without effecting a proportionate split, subdivision or reclassification in or of the B Ordinary Shares; provided that no such classification shall impair the economic rights and benefits to which the holders of the B Ordinary Shares are entitled hereunder; or (vi) increase the number of authorized A Ordinary Shares without effecting a proportionate increase in the number of authorized B Ordinary Shares.

- 5.9 No Impairment. The Company shall not, and shall cause each of the other IBD Subsidiaries not to, without the affirmative vote or written consent of the holders of at least a majority of the outstanding B Ordinary Shares, by amendment of these Articles, the organizational documents of the other IBD Subsidiaries, or through any reorganization, transfer of assets, consolidation, merger, dissolution, issuance or sale of shares or other securities or any other voluntary action, modify, amend, abrogate, avoid or seek to avoid the observance or performance of any of the terms of this Article 5, but will at all times in good faith assist in the carrying out of all the provisions of this Article 5 and in the taking of all such action as may be necessary or appropriate to protect the conversion rights and other rights of the holders of the B Ordinary Shares against impairment. Without limiting the generality of the foregoing, in the event of a transaction similar in nature to a Determination Event but not otherwise expressly included within the definition thereof that would be permitted hereunder without the consent of any of the holders of the outstanding B Ordinary Shares, the Company shall take such action as may be necessary or appropriate such that the holders of the B Ordinary Shares shall be afforded substantially the same economic rights and benefits had such transaction constituted a Determination Event hereunder.

Allotments of Shares

6. The directors are unconditionally authorised during the period of 5 years from the date of incorporation of the Company to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) of a maximum amount equal to the nominal amount of the capital with which the Company is incorporated. Sections 89(1) and 90(1) to (5) (inclusive) of the Act shall not apply to the Company.

Transfer of Shares

7. Whenever and so long as the Company shall be a wholly-owned subsidiary of another company then if the immediate holding company shall deliver to the Company a notice in writing signed by a director of the immediate holding company and stating that any share of the Company is held by the registered holder as the nominee of the immediate holding company (or, in the case of a share registered in the name of a deceased or bankrupt holder, was so held at the time of his death or bankruptcy) and naming some other Person as having been authorised by the immediate holding company to sign transfers in the place of the holder or the deceased or bankrupt holder, the directors shall be entitled and bound to give effect to any instrument of transfer of that share signed by the Person so named in all respects as if the instrument were signed by the registered holder of the share or by his personal representative or trustee in bankruptcy.

For the purposes of this Article, the Company is a “wholly-owned subsidiary” of another company (the “immediate holding company”) if the Company has no members

except the immediate holding company and Persons acting on behalf of the immediate holding company.

8. Subject to Article 5, the directors may, in their absolute discretion and without assigning any reason therefore, decline to register any transfer of any share, whether or not it is a fully paid share. The first sentence of regulation 24 shall not apply.
9. Notwithstanding anything contained in these Articles or in Table A, any bank or institution to whom any shares have from time to time have been charged by way of security to secure the chargors' or any other person's debts, liabilities and engagements (or any nominee, agent or trustee of or on behalf of such bank or institution) shall have a first fixed charge over such shares, ranking in priority over the lien expressed to be created under regulation 8, whether the period for the payment, fulfilment or discharge shall have actually arrived or not, and such first fixed charge shall extend to all dividends from time to time declared in respect of such shares.
10. The following sentence shall be added after the last sentence of regulation 9: "However, no sale pursuant to this regulation 9 shall be made of any shares which have been charged by way of security, from time to time, to any bank or institution (or any nominee, agent or trustee of or on behalf of any bank or institution)."
11. Notwithstanding anything contained in these Articles or in Table A, the Directors shall not decline to register any transfer of shares, nor may they suspend registration thereof, nor shall they decline to accept any instrument of transfer, where such transfer is requested by any bank or institution to whom shares have been charged by way of security (or any nominee, agent or trustee of or on behalf of any bank or institution), and where such transfer is executed by any bank or institution to whom such shares have been charged by way of security, or by any nominee, agent or trustee of such a bank or institution, pursuant to the power of sale under such security, and a certificate by any officer of such bank or institution (or any such nominee, agent or trustee of or on behalf of any bank or institution) that the shares were so charged and the transfer was so executed shall be conclusive evidence of such facts.
12. Notwithstanding anything contained in these Articles or in Table A, any bank or institution to whom any shares have from time to time have been charged by way of security to secure the chargors' or any other person's debts, liabilities and engagements (or any nominee, agent or trustee of or on behalf of such bank or institution) shall be entitled pursuant to the power of sale under such security to transfer such shares to any person free from any restrictions on transfer contained in these Articles and shall not be required to provide any evidence to prove its title to such shares or to prove the right of the transferor to make the transfer of such shares other than the certificate of the shares to be transferred.

13. Notwithstanding anything contained in these Articles or in Table A, the rights, privileges or conditions for the time being attached or belonging to any class of shares for the time being forming part of the share capital of the Company which have been charged by way of security, from time to time, to any bank or institution (or any nominee, agent or trustee of or on behalf of any bank or institution), shall not be modified, affected, varied, extended or surrendered in any way or manner without the prior written consent of such bank or institution (or, as the case may be, such nominee, agent or trustee).

Forfeiture of Shares

14. Notwithstanding anything contained in these Articles or in Table A, no shares for the time being forming part of the share capital of the Company which have been charged by way of security from time to time to any bank or institution (or any nominee, agent or trustee of or on behalf of any bank or institution) shall be liable to be forfeited or surrendered unless and until:
- (a) the bank or institution (or, as the case may be, such nominee, agent or trustee) has been given not less than 30 days' prior written notice that for the reasons stated in these Articles or in Table A, the shares are liable to be forfeited (such 30 days to be in addition to the period of notice set forth in regulation 18); and
 - (b) the bank or institution (or, as the case may be, such nominee, agent or trustee) has not paid or does not within the said 30 days pay in full the call or instalment of a call due.

General Meetings

15. In regulation 37 the words "within the United Kingdom" shall not apply.

Notice of General Meetings

16. In regulation 38 the words "or a resolution appointing a person as a director" shall not apply.

Proceedings at General Meetings

17. No business shall be transacted at any general meeting unless a quorum is present at the time the meeting proceeds to business. Two members (including at least one holder of A Ordinary Shares) (or a sole member) present in person or by proxy or by corporate representative shall constitute a quorum. Regulation 40 shall not apply.
18. In regulation 42 "five" shall be substituted for "fifteen".

19. It shall not be necessary to give notice of an adjourned meeting and regulation 45 shall be varied accordingly.
20. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless before, or on the declaration of the result of, the show of hands a poll is demanded by the chairman or by any member present in person or by proxy. Regulation 46 shall not apply.

Votes of Members

21. Unless and to the extent otherwise specified in the notice convening any meeting, an instrument appointing a proxy may be deposited at the registered office of the Company or sent to the Company by email or facsimile transmission at any time before the time of the meeting or adjourned meeting or be presented at the meeting or adjourned meeting and, in the case of a poll, may be deposited at the registered office of the Company or sent to the Company by email or facsimile transmission at any time before the time for taking the poll or be presented at the taking of the poll. Regulation 62 shall be extended accordingly.

Number of Directors

22. Unless otherwise determined by ordinary resolution, the number of directors (other than alternate directors) shall not be subject to any maximum and need not exceed one. If and so long as there is a sole director he may exercise all the powers vested in the directors by these Articles or Table A. Regulation 64 shall not apply and in regulation 90 "any minimum number of directors fixed in accordance with these articles" shall be substituted for "the number of directors fixed as the quorum".

Alternate Directors

23. Any director (other than an alternate) may appoint any other director to be an alternate director and may remove from office an alternate so appointed by him. An alternate director may represent more than one director, and shall be entitled at any meeting of the directors or of any committee of the directors to one vote for every director whom he represents in addition to his own vote as a director. For the purpose of determining whether a quorum is present, in addition to his own presence, an alternate director shall count as one for every director whom he represents. Regulation 65 shall be extended accordingly.
24. An alternate director shall not be entitled to receive, in respect of his appointment as alternate director, any remuneration from the Company, except such part (if any) of the remuneration otherwise payable to his appointor as his appointor may by notice in

writing to the Company from time to time direct. Regulation 66 shall be varied accordingly.

Appointment, Retirement, Disqualification and Removal of Directors

25. No director shall be subject to retirement by rotation and regulations 73 to 80 (inclusive) shall not apply.
26. The directors may at any time and from time to time appoint any Person who is willing to act to be a director of the Company either to fill a vacancy or as an additional director provided that the appointment does not cause the number of directors to exceed any limit on the number of directors imposed under Article 22.
27. The Company may by ordinary resolution appoint a Person who is willing to act to be a director either to fill a vacancy or as an additional director.
28. Without prejudice to the Company's powers under section 303 of the Act, the office of a director shall be vacated if the Company by ordinary resolution so resolves and regulation 81 shall be extended accordingly.
29. No Person shall be or become incapable of being appointed a director by reason only of his having attained the age of 70 or any other age nor shall any special notice be required in connection with the appointment or the approval of the appointment of such Person, and no director shall vacate his office at any time by reason only of the fact that he has attained the age of seventy or any other age.
30. A member or members holding a majority in nominal amount of the ordinary shares of the Company for the time being in issue shall have the power from time to time and at any time to appoint any Person as a director either as an additional director or to fill any vacancy and to remove from office any director howsoever appointed. Any such appointment or removal shall be made in writing (by letter, email or facsimile transmission) and signed by the member or members making it (and in the case of such member being a corporation, signed by any one of its directors or a duly authorised representative on its behalf) and shall take effect when delivered to the registered office of the Company or when produced at a meeting of the directors.

Proceedings of the Directors

31. It shall be necessary to give notice of meetings of the directors to any directors or alternate directors who are absent from the United Kingdom. Regulations 66 and 88 shall be varied accordingly.

32. Except where there is only one director, the quorum for the transaction of the business of the directors shall be a majority of the directors. The first sentence of regulation 89 shall not apply.
33. The directors attending at any meeting of directors need not be present at one place provided that they are able to hear and communicate with each other by telephone or other instantaneous means throughout the proceedings. Unless the directors determine to the contrary, the meeting shall be deemed to be held at the place where the majority of the directors attending are present or, if there is no majority present in any one place, the place where the chairman of the meeting is present.
34. Regulation 93 shall apply as if the word "signed" included "approved by letter, email or facsimile transmission".

Directors' Interests

35. A director may vote and act concerning any matter in which he has, directly or indirectly, an interest or duty whether or not the same is material and whether or not it conflicts or may conflict with the interests of the Company; and he shall be counted in the quorum present at any meeting of the directors or a committee of directors notwithstanding such interest or duty. Regulations 94 to 98 (inclusive) shall not apply.

The Seal

36. If the Company has a seal it shall only be used with the authority of the directors or of a committee of directors so authorised by the directors. The directors may determine who shall sign any instrument to which the seal is affixed and unless otherwise so determined it shall be signed by a director and by the secretary or a second director. Regulation 101 shall not apply. The obligation under regulation 6 relating to the sealing of share certificates shall apply only if the Company has a seal.

Notices

37. The last sentence of regulation 112 and the words " , if any, within the United Kingdom" in regulation 116 shall not apply.

Indemnities and Insurance

38. Every officer shall be indemnified against any liability attaching to him in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company or any of its associated companies save that no indemnity is hereby given against any liability incurred by the officer which would cause this indemnity not to be a qualifying third party indemnity provision as that term is defined in section 309B of

the Act. For the purposes of this Article "associated company" has the same meaning as in section 309A of the Act. Regulation 118 shall not apply.

39. The directors shall have power to purchase and maintain insurance for or for the benefit of any Persons who are or were at any time directors, officers, employees or auditors of the Company, or of any other company which is its holding company or in which the Company or such holding company has any interest whether direct or indirect or which is in any way associated with the Company, or of any subsidiary undertaking of the Company or of any such other company, or who are or were at any time trustees of any pension fund in which any employees of the Company or of any such other company or subsidiary undertaking are interested, including (without prejudice to the generality of the foregoing) insurance against any liability incurred by such Persons in respect of any act or omission in the actual or purported execution and/or discharge of their duties and/or in the exercise or purported exercise of their powers and/or otherwise in relation to their duties, powers or offices in relation to the Company or any such other company, subsidiary undertaking or pension fund.

Name and address of Subscriber

IB Daiwa Corporation
Sumitomo Hanzomon Building
Annex 2/F
2-1-2 Hirakawa-cho
Chiyoda-ku
Tokyo 102-0093
Japan

Signed for and on behalf of)
IB DAIWA CORPORATION)
in the presence of:)

Witness signature:

Name:

Address:

.....

Occupation:

Dated _____, 2006