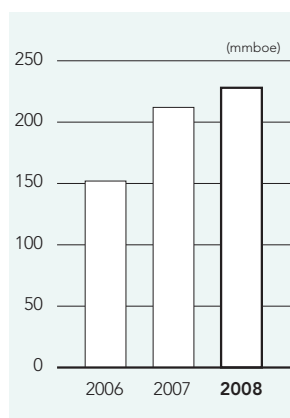




Simon Lockett
Chief Executive

Premier's record profits for 2008 reflect strong production and high oil and gas prices. Despite volatile markets the group is extremely well placed to fund the forthcoming capital expenditures and deliver medium-term growth.

Proven and probable reserves



Production and reserves

Significant progress has been achieved during 2008 in all our major development projects. Project approvals at partner and government levels have been secured together with negotiation of gas and transportation agreements and key supplier contracts. This activity has positioned the group for success in the completion of our three projects in Indonesia and Vietnam. These, together with an ongoing programme of infill drilling and de-bottlenecking on our existing production portfolio, are expected to increase Premier's production beyond its stated target of 50,000 boepd.

Average production for the full year 2008 was 36,500 boepd (2007: 35,750 boepd), in line with previous guidance. In the UK, production performance from the Scott field was affected by maintenance work in the fourth quarter but the Wytch Farm and Kyle fields performed strongly. In addition, both Pakistani and Indonesian fields saw strong demand from gas customers coupled with good production performance.

Production (boepd)	Working interest		Entitlement	
	2008	2007	2008	2007
Asia	11,700	12,000	7,100	7,900
Middle East-Pakistan	14,550	12,700	14,550	12,700
North Sea	9,300	9,850	9,300	9,850
West Africa	950	1,200	800	1,000
Total	36,500	35,750	31,750	31,450

As at 31 December 2008 proven and probable reserves, on a working interest basis, based on Premier and operator estimates, were 228 mmboe (2007: 212 mmboe).

	Proven and probable reserves (mmboe)	2P Reserves and 2C contingent resources (mmboe)
Start of 2008	212	369
Production	(13)	(13)
Net additions and revisions	29	26
End of 2008	228	382

“As at 31 December 2008 proven and probable reserves, on a working interest basis, based on Premier and operator estimates, were 228 mmmboe (2007: 212 mmmboe).”

At year-end, reserves comprised 22 per cent liquids and 78 per cent gas. The equivalent volume on an entitlement basis amounted to 198 mmmboe (2007: 188 mmmboe) based on a price assumption of US\$60/bbl Brent (2007: US\$60/bbl Brent).

Booked reserve additions and revisions include the Vietnamese Chim Sáo field where all joint venture and government approvals were achieved in late 2008 and construction work on the first wellhead platform has commenced. This has resulted in the booking of reserves for this asset for the first time this year. In addition, there has been an increase in the Indonesian Natuna Sea Block A reserves resulting from a comprehensive subsurface re-evaluation of the strong and consistent production performance from the Anoa field. Other reserve additions include an increase to our Pakistan portfolio in response to integrated reservoir studies conducted during the year. Contingent resources at year-end remained steady at 154 mmmboe (2007: 157 mmmboe), the successful commercialisation of the Chim Sáo field being offset mainly by improved definition of undeveloped assets in Indonesia.

Exploration and appraisal

Premier participated in 14 exploration and appraisal wells in 2008, of which seven were successful. Successes included: appraising the reserves base in the Chim Sáo discovery (Vietnam); appraising the gas volumes in the Banda field (Mauritania); step-out drilling adding reserves to the Kadanwari field (Pakistan); and making a new oil discovery at Al Amir SE (Egypt). We acquired over 4,250km of new 2D seismic and 600km² of 3D to advance our exploration interpretations in preparation for 2009/2010 drilling. We have also acquired new licences in Vietnam and Norway.

Our exploration cash spend on drilling and seismic activities in 2008 totalled US\$90.5 million on a pre-tax basis (2007: US\$104.7 million). Estimated post-tax expenditure was US\$63.9 million.

In Vietnam our Chim Sáo North appraisal well (12W-CS-2X) in the Block 12W Production Sharing Contract (PSC) confirmed the northern extension of the Chim Sáo field allowing development sanction to proceed. Further south in the block we drilled two exploration wells and an exploration sidetrack. The Chim Ung well and the Chim Công well were both oil discoveries, confirming the southward extension of the exploration play but are currently considered sub-commercial. In Premier's adjacent operated block, the Block 07/03 PSC, a 1,525km 2D survey has been acquired and a rig contracted for 2009 drilling.

Premier also had an active year in Indonesia, acquiring 2D seismic in the Tuna and Buton PSCs (2,400km and 300km respectively) and reprocessing data in our North Sumatra Block A acreage. These data are being interpreted and work is progressing towards drilling in all licences.

In Pakistan we started testing in the successful Qadirpur Deep-1 well, flowing 4.5 million standard cubic feet per day (mmscfd) of high quality gas from hitherto undrilled reservoir zones below the Qadirpur field. Production from this zone is expected onstream during 2009. In the Kadanwari licence the K-17 well made a discovery in a fault block to the south west of the main field; the well is being placed on production at an expected rate of up to 25 mmscfd.

A new discovery, Al Amir SE, in the NW Gemsa licence in Egypt, tested over 3,000 barrels of oil per day (bopd) from Kareem sandstones and an appraisal well, drilled at year-end, tested 5,785 bopd. Both wells were completed and production has already commenced.

Premier farmed out part of its licence equity for a full carry of our drilling costs on a high risk prospect in our UK North Sea 23/22b Block. The well was dry but fulfilled the licence's exploration commitment. This allows us to retain the block and evaluate the possibility that the Moth condensate discovery, made in 2008 in the adjacent 23/21 Block, extends into our licence. We have been granted the contiguous licence, Block 7/7, across the border in Norway.

Looking ahead to 2009, the exploration focus in South East Asia is in Vietnam, where we plan to drill in Block 07/03 commencing in the second quarter. If that programme is successful, it will high-grade a large number of follow-on prospects on this block and on adjacent acreage held by Premier. In the Indonesian adjacent Tuna Block we are working up interpretations of the newly acquired 2D, ready for drilling in late 2009 or 2010. We are also planning to drill a deep Lama sandstone reservoir target beneath the Anoa field in the Natuna Sea Block A PSC; this follows encouragement from our 2007 Pancing discovery in this poorly-explored reservoir in the adjacent Kakap Block. In Pakistan, following the success of the Qadirpur Deep well we are drilling similar deep reservoirs below the Badhra field with the Bado Jabal well. This has the potential for several trillion cubic feet (tcf) of gas. We are also drilling another new fault block in the Kadanwari licence, where we have drilled similar opportunities that were successful in the recent past.

A potentially high-impact well is being drilled in West Africa where we have farmed out equity in the Congo Marine Block IX permit and are spudding a well on the large Frida prospect in mid-2009. In Norway the delayed appraisal well on the Bream oil discovery is on course to be drilled in the third quarter of 2009. The Grosbeak North prospect is also scheduled to be drilled in the second quarter; we have farmed out equity in this licence (PL378) to reduce financial exposure, but retain a 20 per cent equity interest. Later in the year the Greater Luno well will target a possible extension of Lundin's Luno field into our block.

Asia

Indonesia



During 2008, Premier's operated Natuna Sea Block A gas sales amounted to 142 billion British thermal units per day (BBtud) (gross), whilst the non-operated Kakap field contributed a further 60 BBtud (gross). Liquids production from Anoa averaged 2,212 bopd (gross) and from Kakap 6,000 bopd (gross). Overall, net production from Indonesia amounted to 11,700 boepd (2007: 12,000 boepd).

Following the signing of three Gas Sales Agreements (GSAs) with Sembcorp Gas Pte Ltd (Sembgas) in Singapore and PT Perusahaan Listrik Negara (PLN) and PT Universal Batam Energy (UBE) in Batam, Indonesia in April, the gas transportation and associated agreements required to enable delivery of gas to Sembgas were executed in October 2008. Negotiation of the associated transportation agreements for Batam sales are ongoing and are expected to be signed in the second half of 2009. The Government of Indonesia has approved the Plan of Development for three fields (Gajah Baru, Naga and Iguana). Long lead item orders for steel, compressors, turbines and other critical equipment were placed at the year-end. A second tender for the Engineering, Procurement and Construction contract was completed on 16 March 2009. It resulted in gross cost savings of approximately US\$100 million. With reductions in expected drilling costs, total capex for the whole project is now forecast at around US\$920 million (gross). Maximum routine gas sales will be in the order of 140 mmscfd and recoverable reserves from the three fields are expected to exceed 500 bcf. First gas is now expected before October 2011 and is still in advance of the contractual obligation under the GSA with Sembgas.

On North Sumatra Block A, commercialisation of the Alur Siwah, Alur Rambong and Julu Rayeu fields continued with signature, in April 2008, of a second GSA with PLN, the state electricity company, for the long-term supply of 15 BBtud of gas. The PSC terms for extension are being amended in line with the (new) standard PSC for Indonesia and are awaiting government approval. To compensate for changes in PSC terms, an amendment to the first GSA with PT Pupuk Iskandar Muda (PIM) has been signed. The resulting increased gas sales price will have a floor of US\$6.50 per million British thermal units (MMBtu).

Approval for the Plan of Development for the gas fields was received in January and Front End Engineering Design (FEED) commenced in July and is currently nearing completion. Early gas from Alur Rambong is targeted for 2010, whilst first gas from the main development of Alur Siwah is expected in 2011. A Heads of Agreement was signed with ExxonMobil in November for use of their facilities for transportation and a fully termed agreement is expected to be finalised in the first half of 2009. Drilling is expected to begin on Alur Rambong by early 2010.

Work on the reactivation of the Tualang and Lee Tabue oil fields started in late 2008 and is continuing. Up to six wells may be worked over and tested and subsurface studies have indicated that there is potential to restart production from fields previously abandoned in 2001. Plans for a larger scale reactivation will be based on the results of this initial programme.

Exploration activities during 2009 will focus on the drilling of the Anoa Deep well, expected in the third quarter, and maturing of other licences for further exploration in 2010.

On the Buton Block, a 2D seismic programme began in early 2008 and processing is nearing completion. During 2009 the operator will finalise studies to determine a location to be drilled in 2010.

On the Tuna Block, the acquisition of 2,400km of 2D seismic was completed in October. Interpretation focused on maturing and high grading the current prospect inventory in parallel with the work programme in Premier's Vietnam Block 07/03 immediately to the north. It is now anticipated that two wells on the Tuna Block will be drilled in early 2010.

In partnership with the government authority (MIGAS), Premier has been awarded joint study participation for three blocks in North Sumatra (East Asahan), East Kalimantan (East Benjkanai) and offshore NW Java (North Merak). Studies include reprocessing of seismic data and acquisition of gravity data.

Vietnam

Following the interpretation of the 2007 3D data over Block 12W, Premier drilled a successful appraisal well in the Chim São field in 2008, which tested two zones at a combined rate of 4,330 bopd plus 3.5 mmscfd. All joint venture and government approvals for the project were achieved in late 2008. As a result of the changing cost environment the development plan is being re-engineered to a single platform development, with resultant cost reductions. Construction work on the wellhead platform has commenced in Vietnam. Discussions are ongoing with potential providers of a Floating Production, Storage and Offtake vessel (FPSO) for leasing to the field owners, and final execution of both the FPSO lease agreement and the EPCI contract await conclusion of this process.

During 2008, Premier drilled three further exploration prospects in Block 12W. The Chim Ung-1 well intersected 15 metres of (net) oil pay in a good quality reservoir. A sidetrack was drilled into the adjacent Chim Boi fault block, which did not encounter hydrocarbons. The Chim Công-1 well tested oil at sub-commercial rates with seven metres of (net) oil pay. Premier continues to evaluate these well results ahead of the expiry of the PSC exploration period late in 2009.

Premier became operator of Block 07/03 in late 2007 and in 2008 we acquired a 2D seismic programme to define the location of two exploration wells, the first of which is planned for May 2009. The second well will follow at year-end. The exact schedule is dependent on the duration of intervening wells drilled by the rig-share consortium which Premier is leading. In February 2008, Premier was awarded Block 104-109/05 and has since begun geological studies and geophysical reprocessing of seismic data to better understand the exploration potential of this acreage, offshore northern Vietnam.

Philippines

The Monte Cristo-1 exploration well on the SC43 licence proved to be dry and the well was plugged and abandoned. Premier's costs for the well were carried under a farm-out agreement. Premier and its partners are currently carrying out exploration activities over a prospective trend in the Panaon Limestone formation found with new seismic data obtained in early 2008.

India

Premier is maintaining a limited presence in India pending resolution of the signature of the Ratna licence with the Government of India.

Middle East-Pakistan



Pakistan

Production net to Premier in 2008 was 14,550 boepd, an increase of about 15 per cent as compared to the 12,700 boepd in 2007, surpassing previous records. This additional volume was due to increased gas demand, which was primarily met through additional supplies from the Zamzama and Bhit/Badhra gas fields.

The Qadirpur field produced an average of 4,060 boepd, from Premier's working interest of 4.75 per cent (2007: 3,980 boepd). The Qadirpur plant capacity enhancement project was completed in 2008, with first gas achieved by the end of January 2009. A GSA was signed with Sui Northern Gas Pipelines Ltd, for the supply of 75 mmscfd permeate gas (equivalent to 40 mmscfd processed gas), with first gas expected in 2010. Six new production wells were drilled and tied-in to optimise increased processed gas sales. The Qadirpur Deep-1 well was tested, flowing 4.5 mmscfd of high quality gas from hitherto undrilled reservoir zones below the Qadirpur field. Production from this zone is expected onstream during 2009.

The Kadanwari field produced an average of 1,225 boepd in 2008 (2007: 1,260 boepd) from Premier's 15.79 per cent working interest. Despite natural production decline, field production was maintained at 2007 levels largely due to tie-in of the new K-18 well. A new production well K-17 was drilled and tied-in to the gas plant ahead of schedule on 30 December 2008. To maintain and increase the production levels of the field, K-14ST is currently being drilled, with further wells planned in 2009.

The Zamzama field produced an average of 6,075 boepd in 2008 (2007: 4,620 boepd), from Premier's 9.375 per cent working interest. The Zamzama Phase-2 development project was commissioned in 2008 for production of High Calorific Value (HCV) gas. This resulted in a production increase in 2008 of 32 per cent over 2007 levels.

Bhit/Badhra production was 3,190 boepd in 2008 (2007: 2,840 boepd) from Premier's 6 per cent working interest, an increase of 12 per cent over last year. The increase was due to the completion of the Phase 2 development which enhanced plant capacity from 270 mmscfd to 320 mmscfd, facilitating first gas from the Badhra field and accelerated production from the Bhit field.

In Zarghun South, FEED is currently in progress and first gas is expected in 2010. Premier's costs pertaining to its 3.75 per cent interest in Zarghun South are substantially carried by the operator.

Egypt

The Al Amir SE-1 well, drilled in October 2008, encountered oil in the Kareem formation, opening up a new play in the area. The well tested over 3,000 bopd and 4.25 mmscfd of associated gas. An appraisal well was then drilled on the discovery at year-end encountering two Kareem sandstones with 42ft of net pay. This second well tested 5,785 bopd of 42° API with 7.8 mmscfd of gas from one of the two 20ft zones – the second zone will be perforated at a later date.

In addition, the 2005 Al Amir discovery was re-evaluated and the original Al Amir-1 well was re-entered and sidetracked in December in order to re-appraise the well as a potential producer. The sidetrack confirmed the lateral extension of the original reservoir and also encountered deeper pay. The upper zone was tested with a sustained rate of 416 bopd of 16° API; the lower pay will be tested at a future date.

Development plans to bring the Al Amir and Al Amir SE wells into early production were submitted to Egyptian General Petroleum Corporation (EGPC) and production on Al Amir SE commenced in February 2009. Flow rates had risen to over 3,000 bopd (gross) by early March. The oil is being produced from the discovery well Al Amir SE-1X and the first appraisal well Al Amir SE-2X. A 7km pipeline has been laid between these two wells and the Gazwarina facilities to which the oil is being transported. The Al Amir-1 well is intended to be brought onto production shortly.

Abu Dhabi

The joint venture continues to pursue the acquisition of upstream oil and gas assets across the Middle East and North Africa, with a particular focus on future projects in Abu Dhabi and Iraq. An office has opened in Abu Dhabi and is staffed by a small team of secondees from Premier and Emirates International Investment Company LLC (EIIC).

North Sea

UK and Norway

Production in the UK amounted to 9,300 boepd (2007: 9,850 boepd) representing 25 per cent of the group total (28 per cent in 2007). Operational difficulties on the Scott field, particularly in the fourth quarter, were offset by successful programmes of infill drilling on other fields.

The Wytch Farm oil field contributed 2,965 boepd production net to Premier, similar to 2007. A strong underlying production performance was maintained by a proactive well-work campaign and minimal production interruptions. At the start of the year the M20 injection well was brought on line, and, together with other water handling improvements, has helped to restore reservoir pressure. The B41 rig was then mobilised to Furzey Island to drill the K08 and L13 infill wells and three workovers. A subsequent A12 sidetrack well has exceeded expectations and will be brought on line shortly. The Wareham field is also back in production and the infield pipeline replacement project has been completed with testing and commissioning completed in early 2009.

Production from the Scott and Telford fields was lower than expected at 3,525 boepd (net) (2007: 3,700 boepd). Work on facility projects designed to improve reliability and extend facility life was ongoing during the second half of the year. Two power generator units have now been upgraded. Modifications to the SAGE export pipeline to import gas have been rescheduled to 2009. In October 2008 a three to four well infill drilling programme commenced.

Net production from Kyle was 2,500 boepd, an increase on 2007 as a consequence of improved operational performance and a full year under gas lift. Production performance during the second half of 2008 was more reliable due to facility modifications to the Banff FPSO compressor system during September. Work continues to optimise the operation of the three producing wells.



The Fife Area, where the planned suspension of production occurred on 2 May, accounted for the remainder of UK net production. Subsea facilities were made safe and the FPSO unit departed the field in September. Removal of remaining risers is scheduled for 2009 after which the field will be suspended pending redevelopment or future abandonment. Discussions have been held with a number of parties interested in participating in further appraisal and redevelopment of the fields.

On the Frøy field in Norway (PL364), a Plan of Development was submitted to the authorities in September. Recent events in the banking markets, however, have impacted the planned contractor financing of the Jack-up Production Unit and development planning is now progressing for first oil in 2013. The PL364 licence owners have agreed to use the delay to implement cost reduction measures and to investigate opportunities for third party tie-ins. In addition to existing discoveries in the area surrounding Frøy, several new wells in the area are planned by operators during 2009. Having satisfied the initial licence work commitment the Frøy field partners have been granted a 10-year licence extension by the authorities.

Exploration activities in the North Sea focused on remaining potential in the UK portfolio and moving towards drilling up the Norwegian acreage.

On Block 23/22b in the UK the Sparrow well was farmed out to Oilexco and BG. The well was drilled, in March, to a depth of 10,598ft, 50ft into the Ekofisk formation, fulfilling licence commitments. Good reservoir sands were penetrated but unfortunately these were water wet. The well was drilled at zero cost to Premier.

Subsequently, Oilexco and BG announced the discovery of oil in the deeper Moth prospect on the adjacent Block 23/21. This discovery has encouraging implications for the Block 23/22b licence and the deeper Jurassic prospectivity. BG has farm-in rights to the deeper prospect on Block 23/22b under which Premier would receive a partial carry whilst reducing equity.

Premier was awarded the operatorship of Block 7/7 on the Norwegian side of the median line in the APA 2008 licence round. This block adjoins the 23/22b licence and provides Premier with complete coverage of the Jurassic prospectivity identified adjacent to the Moth discovery.

In Norway, on PL407, failure by the operator to obtain approval to bring the contracted rig into Norwegian waters has resulted in the Bream appraisal well slipping to the third quarter of 2009. This well will now be drilled with an alternative rig. A 12-month extension to the licence deadline has been granted by the Norwegian Ministry of Petroleum and Energy.

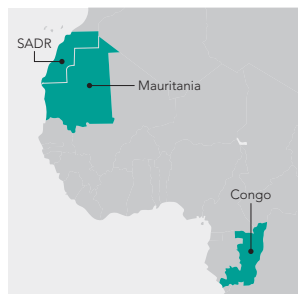
On the Premier-operated licence PL406 the 3D seismic acquisition was completed as planned in April. Processing of the new data commenced and initial fast track volumes were received ahead of schedule. Site surveys and leg cores for the well are planned for the second and third quarters of 2009 respectively. A rig has been contracted to drill the Gardrofa prospect, expected to spud in the third quarter of 2010.

The recent Jordbaer discovery has significantly enhanced the potential of our adjacent licence PL374S and the decision has been taken to enter the drilling phase of this licence with an expected well in 2010. In the PL359 licence, immediately south of the 2007 Luno discovery, a well is planned for the fourth quarter of 2009.

The PL378 licence has been successfully farmed down with Premier retaining an equity position of 20 per cent in the licence. The carried well is planned on the Grosbeak North prospect and will spud in the second quarter of 2009.

Premier has exited the PL419 licence, disposing of its 25 per cent interest to Nexen, the operator.

West Africa



Mauritania

In Mauritania, Chinguetti production averaged 11,700 bopd (950 bopd net to Premier) in 2008. The Chinguetti Phase 2B development programme comprising three workovers and two new production wells was completed in the fourth quarter of 2008, increasing gross production from 10,000 bopd to 17,100 bopd by year-end. Production performance will be carefully monitored during 2009. The operator continues to review and assess remaining potential within the field for a future drilling campaign.

Evaluation of opportunities and development options on PSC A and PSC B are progressing. In 2008 the joint venture drilled the Banda-NW well and sidetrack and the Banda East well, with the objective of defining the Banda gas and oil resources and commercial viability. Both wells were suspended as potential future producers. The operator continues working on the Field Development Plan with target completion by mid-2009 for an investment decision.

The operator is re-evaluating the Tiof field and proposing to reprocess the seismic data to assist in better defining the subsurface and progressing this discovery to a development decision.

The joint venture partnerships are currently in discussions with the Mauritanian Government to extend the existing PSCs.

Congo

In Congo, a farm-out of 27 per cent of our equity was completed providing significant funding for a possible two-well programme on the Marine IX licence. Following the farm-down, Premier retains a 31.5 per cent equity and anticipates spudding the first of the Albian raft prospects, Frida, in July 2009. The Transocean Aleutian Key semi-submersible rig has been contracted to drill the Frida well and preparations for the drilling operation are well advanced with the environmental impact study completed and long lead items acquired. Further progress has also been made in the evaluation of our deep water exploration block focusing on the Tertiary channel sands that have proven productive in the adjacent blocks.

The Frida prospect is a large untested Albian raft with multiple stacked reservoir seal pairs and potential reserves of 170 mmbob.

SADR

The company's exploration rights in the Saharawi Arab Democratic Republic (SADR) remain under force majeure, awaiting resolution of sovereignty under a United Nations mandated process.