

ARCHER LIMITED
NOTICE OF SPECIAL GENERAL MEETING OF SHAREHOLDERS
FEBRUARY 13, 2013

NOTICE IS HEREBY given that a Special General Meeting of the Shareholders of **Archer Limited** (the “**Company**”) will be held on February 13, 2013 at 10:00 a.m. (Bermuda time), at 4th Floor, Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton, Bermuda for the following purposes which are more completely set forth in the accompanying information statement and to consider and, if thought fit, passing with or without any amendments, the following resolution:

RESOLUTION: THE PROPOSED CAPITAL REORGANISATION

That, with effect from 12 p.m. (Bermuda time) on February 19, 2013 or such other time as may be determined by the directors of the Company (the “**Effective Date**”):

- (a) the issued and paid-up share capital of the Company be reduced from US\$733,318,240 to US\$366,659,120 by cancelling the paid-up capital of the Company to the extent of US\$1.00 on each of the issued shares of par value US\$2.00 in the share capital of the Company as at the Effective Date so that each issued share of US\$2.00 shall from the Effective Date have a par value of US\$1.00 be treated in all respects as one (1) fully paid up share of par value US\$1.00 (“**Capital Reduction**”);
- (b) subject to and forthwith upon the Capital Reduction taking effect, the amount of credit arising from the Capital Reduction be credited to the contributed surplus account of the Company, and the directors of the Company be and are hereby authorised to apply any credit balance in the contributed surplus account of the Company in accordance with the Bye-laws of the Company and all applicable laws;
- (c) subject to and forthwith upon the Capital Reduction taking effect, all the 233,340,880 authorised but unissued shares of US\$2.00 each in the Company be cancelled and the authorised share capital of the Company of US\$1,200,000,000 be diminished by US\$466,681,760 representing the amount of shares so cancelled, and forthwith upon such cancellation, the authorised share capital of the Company be restored to US\$1,200,000,000 by creating 833,340,880 shares of par value US\$1.00 each, such that the authorised share capital will then comprise 1,200,000,000 shares of par value US\$1.00 each; and
- (d) subject to and forthwith upon the Capital Reduction taking effect, the register of shareholders (and each branch register and sub-register) shall be amended such that the shares in issue on the Effective Date shall be recorded as having a par value of US\$1.00 each.

By Order of the Board of Directors

Georgina Sousa
Secretary

Dated: January 31, 2013.

Notes:

1. *The Board of Directors has fixed the close of business on January 30, 2013 as the record date for the determination of the shareholders entitled to attend and vote at the Special General Meeting or any adjournment thereof.*
2. *No Shareholder shall be entitled to attend unless written notice of the intention to attend and vote in person or by proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially-certified copy of that power of attorney, is sent to the Company Secretary, to reach the Registered Office by not later than 48 hours before the time for holding the meeting.*
3. *A Form of Proxy is enclosed for use in connection with the business set out above.*
4. *The resolution set out above is an Ordinary Resolution, approval of which will require the affirmative vote of a majority of the votes cast.*

**INFORMATION CONCERNING SOLICITATION AND VOTING FOR THE SPECIAL
GENERAL MEETING OF SHAREHOLDERS (THE "MEETING") OF ARCHER LIMITED TO BE
HELD ON FEBRUARY 13, 2013**

The Company's authorised share capital is US\$1,200,000,000 represented by 600,000,000 shares of par value US\$2.00. At January 30, 2013 the Company's issued share capital was 366,659,120 shares of US\$2.00 each and at that date the closing share price of the shares on the Oslo Stock Exchange was NOK5.93 (equivalent to approximately US\$1.08). Under Bermuda law, shares cannot be issued at below par value. In order to provide the Company with the ability to issue additional shares, the Board of Directors proposes that the shareholders approve the reorganisation of the Company's authorised share capital represented by 600,000,000 shares of par value US\$2.00 each into 1,200,000,000 shares of par value US\$1.00 each (the "**Reorganisation**"). In connection with the proposed Reorganisation and consequent change to the par value of the Company's authorised shares it will also be necessary to change the par value of the issued shares. It is therefore proposed that the issued and paid-up share capital of the Company be reduced from US\$733,318,240 to US\$366,659,120 by cancelling the paid-up capital of the Company to the extent of US\$1.00 on each of the issued shares of par value US\$2.00 (the "**Capital Reduction**").

Subject to and forthwith upon the Capital Reduction taking effect, the Reorganisation will be effected through the cancellation of all the 233,340,880 authorised but unissued shares of US\$2.00 each in the Company and the authorised share capital of the Company of US\$1,200,000,000 be diminished by US\$466,681,760 representing the amount of shares so cancelled, and forthwith upon such cancellation, the authorised share capital of the Company be restored to US\$1,200,000,000 by creating 833,340,880 shares of par value US\$1.00 each, such that the authorised share capital will then comprise 1,200,000,000 shares of par value US\$1.00 each. The total authorised share capital of the Company will not be changed as a result of the proposed Capital Reduction and Reorganisation.

Subject to shareholder approval, the Board of Directors has set the date for the effectiveness of the Capital Reduction and Reorganisation as February 19, 2013. If the Capital Reduction is approved, the par value of each share in issue on the effective date will be reduced to US\$1.00 and the Company's share registers will be amended to reflect this change.

Upon the proposed Capital Reduction becoming effective, there will be no change in the number of issued and paid-up shares held by, or the percentage level of shareholding of each shareholder of the Company ("**Shareholder**"). The shares of par value US\$1.00 each will rank *pari passu* in all respects with each other. Other than the expenses incurred in relation to the proposed Capital Reduction, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company.

The Company's shares are fully paid and consequently the proposed Capital Reduction will not involve the diminution of any liability in respect of unpaid share capital. It will also not result in a return of any share capital or other assets to Shareholders. The amount of credit arising from the proposed Capital Reduction will be transferred to the contributed surplus account of the Company.

Bye-law 115 of the Bye-laws provides amongst other things that the Company may make a distribution out of any contributed surplus (as ascertained in accordance with the Bermuda Companies Act). As such, subject to the Bye-laws and all applicable laws, the proposed Capital Reduction will increase the credit balance in the contributed surplus of the Company and provide the Company with greater flexibility in relation to future distribution, if any, out of contributed surplus (whether or not the Company will make a distribution out of contributed surplus and the timing and amount of distribution to be paid will depend on the Company's earnings, financial position including cash flow position and future capital requirements, future plans and other relevant factors). As at the date of this notice, there are currently no plans to make any distribution out of the increased contributed surplus arising from the proposed Capital Reduction.

Archer Limited (the “Company”)
Form of Proxy for use at Special General Meeting to be held on February 13, 2013.

I/We
(NAME IN BLOCK CAPITALS)

of

being (a) holder(s) of Ordinary Shares of \$2.00 each of the above-named Company on the record date of January 30, 2013, hereby appoint the duly appointed Chairman of the meeting or to act as my/our proxy at the Special General Meeting of the Company to be held on February 13, 2013, or at any adjournment thereof, and to vote on my/our behalf as directed below.

Please indicate with an X in the spaces provided how you wish your vote(s) to be cast on a poll. Should this card be returned duly signed, but without a specific direction, the proxy will vote for the Proposal.

<i>Proposal</i>	<i>For</i>	<i>Against</i>	<i>Abstain</i>
(a) the issued and paid-up share capital of the Company be reduced from US\$733,318,240 to US\$366,659,120 by cancelling the paid-up capital of the Company to the extent of US\$1.00 on each of the issued shares of par value US\$2.00 in the share capital of the Company as at the Effective Date so that each issued share of US\$2.00 shall from the Effective Date have a par value of US\$1.00 be treated in all respects as one (1) fully paid up share of par value US\$1.00 (“ Capital Reduction ”)			
(b) subject to and forthwith upon the Capital Reduction taking effect, the amount of credit arising from the Capital Reduction be credited to the contributed surplus account of the Company, and the directors of the Company be and are hereby authorised to apply any credit balance in the contributed surplus account of the Company in accordance with the Bye-laws of the Company and all applicable laws;			
(c) subject to and forthwith upon the Capital Reduction taking effect, all the 233,340,880 authorised but unissued shares of US\$2.00 each in the Company be cancelled and the authorised share capital of the Company of US\$1,200,000,000 be diminished by US\$466,681,760 representing the amount of shares so cancelled, and forthwith upon such cancellation, the authorised share capital of the Company be restored to US\$1,200,000,000 by creating 833,340,880 shares of par value US\$1.00 each, such that the authorised share capital will then comprise 1,200,000,000 shares of par value US\$1.00 each; and			
(d) subject to and forthwith upon the Capital Reduction taking effect, the register of shareholders (and each branch register and sub-register) shall be amended such that the shares in issue on the Effective Date shall be recorded as having a par value of US\$1.00 each.			

Date Signature

Notes:

1. A Shareholder entitled to attend and vote at a meeting may appoint one or more proxies to attend and, on a poll, vote instead of him.
2. Proxies appointed by a single Shareholder need not all exercise their vote in the same manner.
3. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority is determined by the order in which the names stand in the Register of Members.
4. In the case of a corporation, this proxy must be given under its common seal or be signed on its behalf by a duly authorized officer or attorney.
5. If it is desired to appoint by proxy any person other than the Chairman of the Meeting, his/her name should be inserted in the relevant place, reference to the Chairman deleted and the alteration initialled.
6. This proxy should be completed and sent to the following address by not later than 48 hours before the time for holding the meeting:

Nordea Bank Norge ASA
Issuer Services
PO Box 1166 Sentrum
0107 Oslo, Norway
Fax: +47 22 48 49 90/ +47 22 48 63 49
Or via e-mail to: issuerservices.no@nordea.com