

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and what action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 if you are taking advice in the United Kingdom or, if you are taking advice in another jurisdiction, from an appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all your Existing Ordinary Shares in Tern Plc, please send this document and the accompanying Form of Proxy at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, such documents should not be forwarded, transmitted or distributed in or into the United States of America, Canada, Australia, Japan, the Republic of Ireland or South Africa. If you have sold or transferred only part of your holding in Existing Ordinary Shares in Tern Plc you should retain this document.

Application will be made for the New Ordinary Shares to be admitted to trading on AIM and it is expected that trading in the New Ordinary Shares will commence on 4 November 2013.

The Directors, whose names appear on page 5 and the Company, collectively and individually, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (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.

Tern Plc

(Incorporated in England and Wales under the Companies Act 1985 with registered number 05131386)

Proposed Capital Reorganisation

Adoption of new Articles

and

Notice of General Meeting

The Notice convening the General Meeting of the Company to be held at the offices of WH Ireland Limited, 24 Martin Lane, London EC4R 0DR on 1 November 2013 at 10.00 a.m. is set out at the end of this document. A Form of Proxy for use at the meeting is enclosed, and should be completed and returned to the Company's Registrars, Share Registrars Limited, Suite 6, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL as soon as possible and, in any event, so as to arrive not later than 10.00 a.m. on 30 October 2013.

Copies of this document, dated 15 October 2013, will be available to the public, free of charge, during normal business hours on any business day (Saturdays, Sundays and public holidays excluded) from the registered office of the Company for not less than 14 days from the date of this document, and will be available on the Company's website www.silvermere-energy.com.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Despatch of this document	15 October 2013
Latest time and date for receipt of proxy forms for GM	10.00 a.m. 30 October 2013
General Meeting	1 November 2013
Record Date for the Capital Reorganisation and final day of trading for Existing Ordinary Shares	6.00 p.m. on 1 November 2013
Admission of New Ordinary Shares	4 November 2013
CREST accounts credited with New Ordinary Shares	4 November 2013
New share certificates issues and despatched	11 November 2013

CAPITAL REORGANISATION STATISTICS

Number of Existing Ordinary Shares	180,318,245
Additional Ordinary Shares to be issued	755
Closing mid-market price as at 14 October 2013	0.235 pence
Approximate market capitalisation as at 14 October 2013	£0.424 million
Consolidation ratio	1 New Consolidated Share for every 1,000 Existing Ordinary Shares
Number of New Consolidated Ordinary Shares	180,319
Subdivision of New Consolidated Ordinary Shares	50 New Ordinary Shares
Number of New Ordinary Shares	9,015,950
ISIN number for the New Ordinary Shares	GB00BFPMV798
SEDOL number for the New Ordinary Shares	BFFPMV79

DEFINITIONS

“Admission”	the admission of the New Ordinary Shares in issue immediately following the Capital Reorganisation to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the market of that name operated by the London Stock Exchange plc
“AIM Rules”	the AIM rules for companies published by the London Stock Exchange plc from time to time
“Articles”	the articles of association of the Company
“Board” or “Directors”	the directors of the Company whose names are set out on page 5 of this document
“Capital Reorganisation”	the proposed Consolidation and subsequent Sub-division
“Company” or “Tern”	Tern Plc, a company incorporated in England and Wales with registered number 05131386
“Consolidation”	the proposed consolidation of every 1,000 Existing Ordinary Shares into one New Consolidated Ordinary Share
“CREST”	the electronic settlement system operated by Euroclear UK and Ireland Limited
“Existing Ordinary Shares” or “Ordinary Shares”	the 180,318,245 ordinary shares of 0.001p each in the capital of Tern in issue at the date of this document
“Form of Proxy”	the form of proxy accompanying this document for use in connection with the GM
“GM” or “General Meeting”	the general meeting of the Company convened for 10.00 a.m. on 1 November 2013, notice of which is set out at the end of this document
“New Consolidated Ordinary Shares”	the new ordinary shares of 1p each in the capital of Tern resulting from the Consolidation
“New Ordinary Shares”	the new ordinary shares of 0.02p each in the capital of Tern resulting from the Sub-division
“Notice”	the notice of the GM set out at the end of this document
“Record Date”	close of business on 1 November 2013
“Resolutions”	the resolutions before Shareholders as set out in the notice of GM
“Shareholders”	holders of the Existing Ordinary Shares as varied by the Consolidation and Subdivision
“Sub-division”	the proposed sub-division of each New Consolidated Ordinary Share into 50 New Ordinary Shares

LETTER FROM THE CHAIRMAN

Tern Plc

(Incorporated in England and Wales under the Companies Act 1985 with registered number 05131386)

Directors:

Angus George Patrick Forrest (*Chairman*)
Bruce Henderson Leith (*Director*)
Laurence Read (*Non-executive director*)

Registered Office:

9 Catherine Place
London
SW1E 6DX

15 October 2013

To the holders of Existing Ordinary Shares

Dear Shareholder

Introduction

The purpose of this circular is to provide you with details of, and the reasons for, the proposed Capital Reorganisation and other matters proposed by the Directors; and to give you notice of the General Meeting at which the Resolutions necessary to effect the Capital Reorganisation and certain other matters, are to be proposed.

Background and reason for the Capital Reorganisation

At close of business on 14 October 2013, the latest practical date prior to publication of this Circular, the Company had 478 Shareholders of which 351 had a shareholding of less than 1,000 shares. These 351 Shareholders account for 73.4 per cent. of the Shareholders by number, but represent less than 0.0155% per cent. of the total number of Existing Ordinary Shares.

At the closing bid price of 0.235p on 14 October 2013, the latest practical date prior to the publication of the Circular, the market value of 1,000 shares would be £2.35. The Directors consider that should a Shareholder with 1,000 shares or less choose to sell their shares, the proceeds will be significantly reduced or even completely eliminated by the dealing costs of selling. Therefore the Directors recognise that for small Shareholders it is uneconomic for them to dispose of their shares.

Another benefit of the Capital Reorganisation is it will allow the Company to reduce certain costs associated with maintaining a shareholder register in particular printing, postage and registrars' costs.

For the reasons set out above, the Directors are proposing to reorganise the Company's share capital on the terms set out below.

Capital Reorganisation

Under the Capital Reorganisation, the Existing Ordinary Shares will be consolidated into New Consolidated Ordinary Shares on the basis of one New Consolidated Ordinary Share for each 1,000 Existing Ordinary Shares. Each New Consolidated Ordinary Share will then be sub-divided into 50 New Ordinary Shares.

The rights attaching to the New Ordinary Shares will be *pari passu* in all respects to those of the Existing Ordinary Shares.

Existing share certificates will cease to be valid following the Capital Reorganisation. New share certificates in respect of the New Ordinary Shares will be issued by 11 November 2013.

A CREST Shareholder will have their CREST account credited with their New Ordinary Shares following their Admission, which is expected to be on 4 November 2013.

The notice of GM set out at the end of this document contains resolutions to give effect to the proposed Capital Reorganisation. The Capital Reorganisation is conditional upon the approval of the Shareholders at the GM.

Fractional entitlements

Many Shareholders will not hold at the Record Date a number of Existing Ordinary Shares that is exactly divisible by the consolidation ratio. The result of the Consolidation, if approved, will be that such Shareholders will be left with a fractional entitlement to a resulting New Ordinary Share.

Holders of fewer than 1,000 Existing Ordinary Shares will not be entitled to receive New Ordinary Shares under the Consolidation. Shareholders with a holding of Existing Ordinary Shares which is greater than 1,000 but which is not exactly divisible by 1,000 will have their entitlement rounded down to the nearest whole thousand. Any fractions arising as a result of the Consolidation will be aggregated and sold for the best price reasonably obtainable, and the net proceeds of the sale distributed among such Shareholders unless the Directors consider that the cost of distribution would, in the reasonable opinion of the Board, be disproportionate to the amounts involved.

The Directors have decided that the costs of distributing any amounts less than £3 would be disproportionate to the amounts being distributed. Based on the current price of Existing Ordinary Shares, the maximum value of any fractional entitlement will be less than £2.35. Therefore, all proceeds of the sale of fractional entitlement arising as a consequence of the Capital Reorganisation will be sold for the benefit of the Company.

Adoption of Articles

The Directors have decided to adopt new articles of association which shall replace the existing Articles. The new Articles are updated in accordance with the Companies Act 2006 and are available for viewing on the Company's website, www.silvermere-energy.com.

General Meeting

You will find set out at the end of this Circular the notice convening the GM to be held at 24 Martin Lane, London EC4R 0DR at 10.00 a.m. on 1 November 2013, at which the following resolutions will be proposed:

- (a) each of the Existing Ordinary Shares to be consolidated into New Consolidated Ordinary Shares of 1p each on the basis that every 1,000 Existing Ordinary Shares will be consolidated into one New Consolidated Ordinary Share. The treatment of any fractions arising as a result of the Consolidation is explained in paragraph titled "Capital Reorganisation" above;
- (b) the New Consolidated Ordinary Shares of 1p each to be subdivided into 50 New Ordinary Shares of 0.02p each; and
- (c) to adopt new Articles.

Action to be taken

The Form of Proxy for use at the GM is enclosed with this Circular. **Whether or not you intend to be present at the GM, you are requested to complete the Form of Proxy and return it to the Company's registrars, Share Registrars Limited, Suite 6, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL as soon as possible and, in any event, so as not to arrive later than 10.00 a.m. on 30 October 2013.** Alternatively, CREST members who wish to appoint a proxy or proxies via CREST may do so in accordance with the procedures set out in the notice of GM and the Form of Proxy.

The return of the Form of Proxy or appointment of a proxy via CREST will not prevent you from attending the GM and voting in person should you so wish.

Recommendation

Your Directors consider that the proposed Capital Reorganisation and adoption of new Articles is in the interests of the Company and of its Shareholders. Accordingly they unanimously recommend that you vote in favour of the Resolutions to be proposed at the General Meeting, as they intend to do in respect of their own beneficial shareholdings.

Yours sincerely

Angus Forrest
Chairman

Tern Plc

(the "Company")

(Registered in England and Wales under the Companies Act 1985 with registered number 05131386)

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of the Company will be held at the offices of WH Ireland Limited, 24 Martin Lane, London EC4R 0DR on 1 November 2013 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as special resolutions.

Special Resolution

1. THAT:

- a. every 1,000 existing ordinary shares of the Company whether issued or unissued be consolidated into one new consolidated ordinary share of 1p each provided that where such consolidation results in any entitlement to fractions of new ordinary shares, such fractions shall be dealt with by the directors of the Company as they see fit;
- b. all of the new consolidated ordinary shares of 1p each in the capital of the Company created by paragraph a. of this resolution be subdivided into 50 ordinary shares of 0.02p each; and

2. THAT:

the articles of association set out in the document produced to the meeting and initialed by the Chairman of the meeting for identification be and are hereby approved as the articles of association of the Company adopted in substitution for and to the exclusion of the existing articles of association of the Company.

By Order of the Board

Angus Forrest
Director

Registered Office:

9 Catherine Place
London SW1E 6DX

15 October 2013

NOTES:

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company.
2. A Form of Proxy is enclosed for use at the GM. Please read carefully the instructions on how to complete the form. To be valid it must be received by post or (during normal business hours only) by hand to the Company's registrars (Share Registrars Limited, Suite 6, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL), no later than 48 hours before the time appointed for holding the meeting.
3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 6 below) will not prevent a shareholder attending the meeting and voting in person if he/she wishes to do so.
4. To be entitled to attend and vote at the meeting or any adjournment (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company 48 hours before the time appointed for holding the meeting or adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
6. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA36) by 10.00 a.m. on 30 October 2013. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
7. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
8. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
9. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.